

Rutherford County, North Carolina
Comprehensive Annual Financial Report
For the Year Ended June 30, 2004

Prepared By
Rutherford County Finance Department



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CHARLES HILL
Chairman
CHIVOUS BRADLEY
Vice Chairman
AMANDA KING
Commissioner
PAUL MCINTOSH
Commissioner
BRENT WASHBURN
Commissioner

JOHN W. CONDREY
County Manager
HAZEL S. HAYNES
Clerk to the Board
ROBERT W. BOLE
Finance Director
PAULA A. ROACH
Assistant Finance Director

Rutherford County

**289 North Main Street
Rutherfordton, NC 28139
(828) 287-6045
(828) 287-6262 FAX**

November 30, 2004

Rutherford County Board of Commissioners
County of Rutherford
289 North Main Street
Rutherfordton, North Carolina 28139

Dear Commissioners:

In compliance with the General Statutes of the State of North Carolina, the Comprehensive Annual Financial Report (CAFR) of the County of Rutherford, North Carolina, is submitted for the fiscal year ended June 30, 2004. The responsibility for the accuracy, completeness, and clarity of the report rests with the County Finance Director. We believe the data presented is accurate in all material respects; that it is presented in a manner to fairly represent the financial position and the results of operations of the County of Rutherford as measured by the financial activities of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the county's financial activity have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of independent auditors.

REPORTING ENTITY AND ITS SERVICES

The county has a commissioner/manager form of government with five commissioners elected for four-year staggered terms. The Board of Commissioners approves all tax and budget issues by a majority vote. An organizational chart is presented in this introductory section.

The financial reporting entity consists of the primary government, organizations for which a primary government is financially accountable, and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable if it appoints a voting majority of the organization's governing body; and (1) is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The following agencies have been included in the reporting entity as component units:

Rutherford County Airport Authority
Rutherford County Economic Development Commission
Rutherford County Transit Authority

Based on the foregoing criteria, it was not considered appropriate to include the following entities in the County of Rutherford reporting entity:

Rutherford County Board of Education
Region C Council of Governments
Fire and Sanitary Districts
Isothermal Community College
Rutherford/Polk Mental Health District
Rutherford/Polk/McDowell Public Health District

The financial statements of these entities are audited and available at the County Finance Office and the office of each entity.

The County provides, in total or in part, a full range of governmental services including General Government, Public Safety, Environmental Protection, Human Services, Economic and Physical Development, Education, and Cultural Activities.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The county's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgment by management. The county believes that the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary or other control is exercised over all funds. Appropriations are made at the functional level for the General Fund, at the departmental level for the Special Revenue and Proprietary Funds, and at the object level for the Capital Project and Debt Service Funds. The Governing Board amends appropriations as necessary. The budget shown in the financial statements is the budget ordinance as amended through June 30, 2004. The county's budget ordinance is prepared on a modified accrual basis for all governmental fund types. The budgets for the General, Special Revenue, Debt Service, and Enterprise Funds are prepared on an annual basis, and the budgets for the Capital Project Funds are authorized for the life of the project.

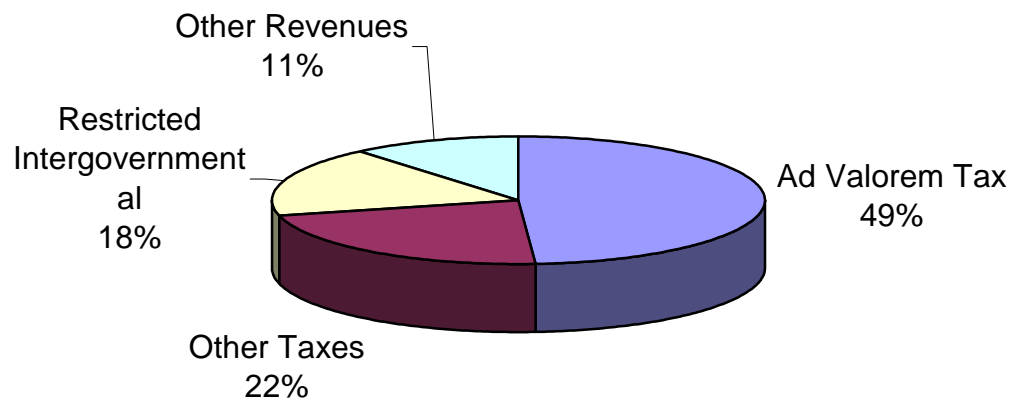
GENERAL GOVERNMENTAL FUNCTIONS

Revenues for annual general governmental functions come primarily from ad valorem taxes, the two-cent optional sales tax, and intergovernmental revenues (primarily state and federal).

These governmental functions include the general and special revenue funds. Revenues in the general fund are the sources used to carry out the general operations of the County. Special revenue funds are monies that are restricted by law or administrative action for specific purposes such as reappraisal, school capital projects, tourism development and the fire districts tax distribution.

The following graph illustrates the County's general governmental sources of revenue for the general, special revenue and debt service funds only:

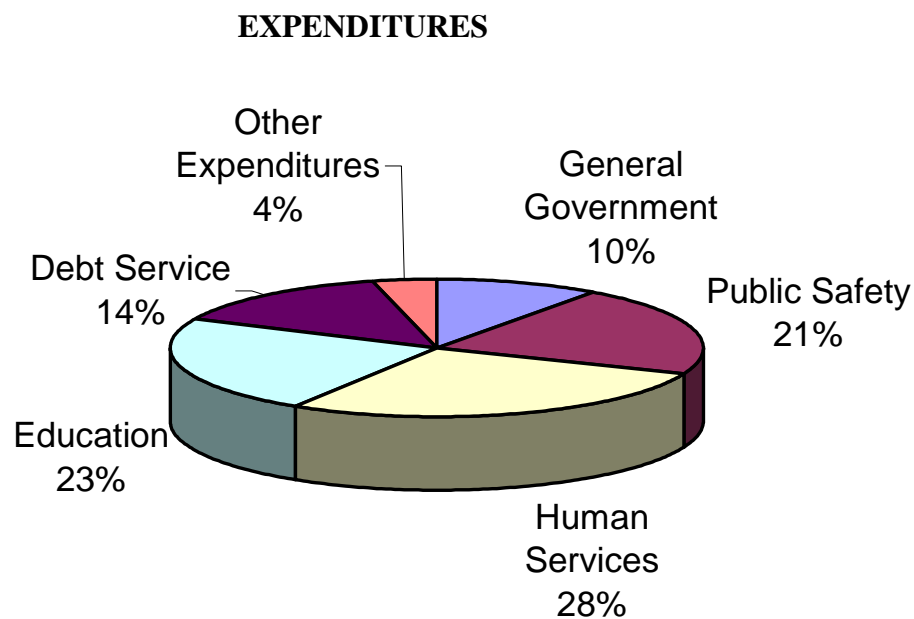
REVENUES



Rutherford County's revenues increased by approximately four and one-half percent mainly due to increases in ad valorem taxes and sales and services.

Ad valorem and other tax revenues continue to be the largest source of revenue for the County accounting for 72% of total revenues. Sales and services increased eleven percent, or \$290,993 mainly due to increases in revenues for housing out-of-County inmates in the Detention Center of \$295,000. Investment earnings declined due to the downturn in interest rates that have been experienced in the last few years.

Management recognizes that local sources of revenue must be used to provide basic services instead of relying on the uncertainty of federal and state funding. Education, human services, and public safety continue to be the largest of county government expenditures representing 73% of all expenditures. The following graph illustrates the County's general governmental expenditures in the general, special revenue and debt service funds only:



Total expenditures increased by approximately seven percent or approximately \$3.3 million. The majority of the increases occurred in economic and physical development with increases also occurring in the areas of Public Safety and Human Services. Economic and physical development increased by ninety-nine percent or approximately one million dollars due to a land purchase and improvements made to Tracker Marine in 2004. Increases in public safety occurred due to an increase in capital equipment purchases, increases in health insurance and workers compensation and the addition of a planner in the Inspections Department. The increase in Human Services was due to increases in daycare, food stamps, and medical assistance.

CASH MANAGEMENT

Rutherford County has in place an approved Cash Management Policy. This policy has specific guidelines for both revenues and expenditures. The Finance Department strives for efficient and profitable use of the County's cash resources. A pooled cash concept is utilized to maximize funds available for investment. Cash temporarily idle during the year is invested in Certificates of Deposit, various instruments guaranteed by the United States Government and the North Carolina Capital Management Trust Fund (North Carolina Local Government Investment Pool).

The County's investments for fiscal year 2003-2004 earned \$443,136. The balance of cash and investments was \$23,550,694 as of June 30, 2004 as compared to \$38,138,291 as of June 30, 2003. The county's undesignated fund balance as of June 30, 2004 was \$7,873,796 and \$1,787,163 in the General Fund and the Special Revenue Fund, respectively.

DEBT ADMINISTRATION

Rutherford County has efficiently managed its debt and has planned for future debt payment. General Long-Term Debt outstanding as of June 30, 2004 is comprised of the following:

- 2004 Certificates of Participation issued for school construction - \$7,640,000
- General Obligation Bonds issued for school construction - \$16,050,000
- 2003 Refunding of 1994 Certificates of Participation issued for county facilities - \$8,040,000
- 2001 Private Placement for county building projects - \$3,112,500
- 2003 Certificates of Participation issued for school construction - \$19,815,000
- 2003 Certificates of Participation industrial development - \$1,100,000
- Other Capitalized Leases - \$1,382,672
- Other commitments (accrued vacation, pension) - \$997,134

The general obligation bonds, certificates of participation, and private placement debt service are being funded with sales tax revenue which is set aside in reserve funds). One hundred percent of the Article 40 one-half cent sales tax adopted in 1983 and sixty percent of the Article 42 one-half cent sales tax adopted in 1986 have been designated for school construction. These funds are being set aside to pay for construction of schools and the debt service on borrowed funds used to construct schools. The remaining 40% of the Article 42 one-half cent sales tax adopted in 1986 has been designated for county building construction. The capitalized lease payments and other commitments are being funded by general and special revenue fund revenues as the commitments come due.

During the fiscal year ended June 30, 2003, the County's General Fund borrowed \$1,850,000 from the Solid Waste Fund for a term of 15 years. The proceeds of this interfund loan were used to purchase and renovate a vacant industrial building, which is now occupied by Tracker Marine, and to purchase industrial equipment for Tracker Marine. The outstanding balance of this loan as of June 30, 2004 was \$1,725,000.

The June 30, 2004 Solid Waste Enterprise Fund Debt of \$893,944 is comprised of capitalized leases. Debt service payments on these leases will be paid from solid waste revenues.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A" with Standard and Poors Corporation and "A+" with Fitch Ratings. The rating for the September COPS financing is "A3" with Moody Investor Service, "A-" with Standard and Poors Corporation and "A" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues.

The General Statutes control general long-term debts that local governments in North Carolina can issue. Long-term debt cannot exceed 8% of the assessed valuation of the County which was \$3,900,697,986 as of January 1, 2003. Thus, the legal debt limit of the County as of June 30, 2004 is \$312,055,838 with a legal debt margin of \$254,915,661 considering the outstanding bond debt of \$16,050,000 and other debt of \$41,090,177.

RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect itself in these cases, the County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these two pools, the County obtains property, general, auto, professional liability, crime and worker's compensation coverage.

The County also participates in a self-insured pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees. The Insurance Plan Administrators for the pool were Kanawha Healthcare Solutions for medical and American General for dental.

In December 2003, a trust fund was established to continue health insurance benefits for twelve mental health retirees as defined by an agreement between the Rutherford Polk Mental Health Authority and the Rutherford County Board of Commissioners as a result of the Authority's dissolution in late 2004 or early 2005.

THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 63,861 with a work force of 29,961. The population has grown by 8.6% during the last decade. The 2001 Census revealed that the greatest growth occurred in the Lake Lure area indicating retirees moving into this area. The goods producing work force declined over the last decade, while the service producing work force increased. The median age has increased to 39.49 as compared to 36.6 a decade ago. The county trend seems to be following the national trend in rural America.

Seventy-eight manufacturing firms are located in Rutherford County led by textiles, furniture, and plastics. Textiles continue to be the leader in jobs and wages. Recent trends show textiles and furniture declining, again following the national trend. In 2000, the industrial base in the County diversified with the introduction of composites and automotive components. The County has also developed industrial sites and buildings to sell. Riverstone Industrial Park contains 1,150 acres and is the largest certified industrial park in North Carolina. There are over thirty building sites proposed for this property. Over twelve million dollars of private funds have been invested and the Town of Forest City is providing water and sewer.

In May 2004, the County purchased approximately 108 acres of land adjacent to Highway 221, which is anticipated to be used for future economic development.

Another significant industry in the County is travel and tourism. Travel and tourism results in employment of approximately 1,100 people and generates approximately \$99 million in annual revenues. Lake Lure, located in the northwest area of the County, is a tourist and retirement destination. Chimney Rock Park, another major tourist attraction, is also located in this area. There are 1,160 rooms available for overnight lodging in the County and three eighteen-hole championship golf courses. Movies filmed in the County have also enhanced the travel and tourism industry. Fairfield Mountains, one of the nationally known Fairfield Communities and Lake Lure Golf and Beach are resorts that are rapidly expanding in the County with over 300 units employing from 300 to 400 people. The County has a Tourism Development Authority which strives to promote travel, tourism, retirement, and conventions in the County.

The County has implemented a strategic plan entitled Realize Rutherford. The plan was designed by a group of County citizens and defines a comprehensive direction for the next 10 to 20 years on issues such as economic development, education, housing, land use planning and recreation. To date over one hundred groups or individuals have committed their time and effort as Vision Partners. A Vision Partner is someone who is actively working on one of the strategies within the plan. The process is privately funded for five years through local organizations.

The largest challenge facing the County is re-training the work force. In view of the changing technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with specialty training programs to help new and existing industry to keep pace with their changing needs. The college offers 60 programs of study and provides training for area business and industry, personal enrichment courses, adult basic education, adult high school programs, remedial and development courses, and community service activities.

The ENC Initiative has lead in the establishment of four Business and Technology Centers in North Carolina. Rutherford County has received preliminary designation for one of the next two centers. If this center comes to fruition, this should also help to create jobs and stimulate the local entrepreneurship community.

INDEPENDENT AUDIT

The General Statutes of North Carolina require an independent financial audit of all local governments in the state. Gould Killian CPA Group, a firm of independent certified public accountants, has examined the financial statements of the county and their opinion is included in this report. Their audit was made in accordance with generally accepted auditing standards and accordingly, included tests of the county's records and any other auditing procedures as they considered necessary. Their unqualified opinion indicates that the accompanying financial statements have been prepared by the county in conformity with generally accepted accounting principles.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rutherford County for its comprehensive annual financial report for the fiscal year ended June 30, 2003.

This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENT

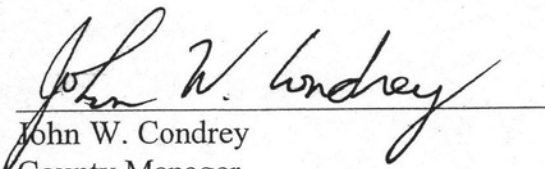
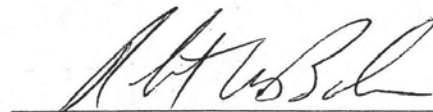
Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

USE OF REPORT

A copy of this report will be made available to various departments of the county, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

A copy of this report will also be placed in the Rutherford County Public Library.

Respectfully submitted,


John W. Condrey
County Manager
Robert W. Bole
Finance Director

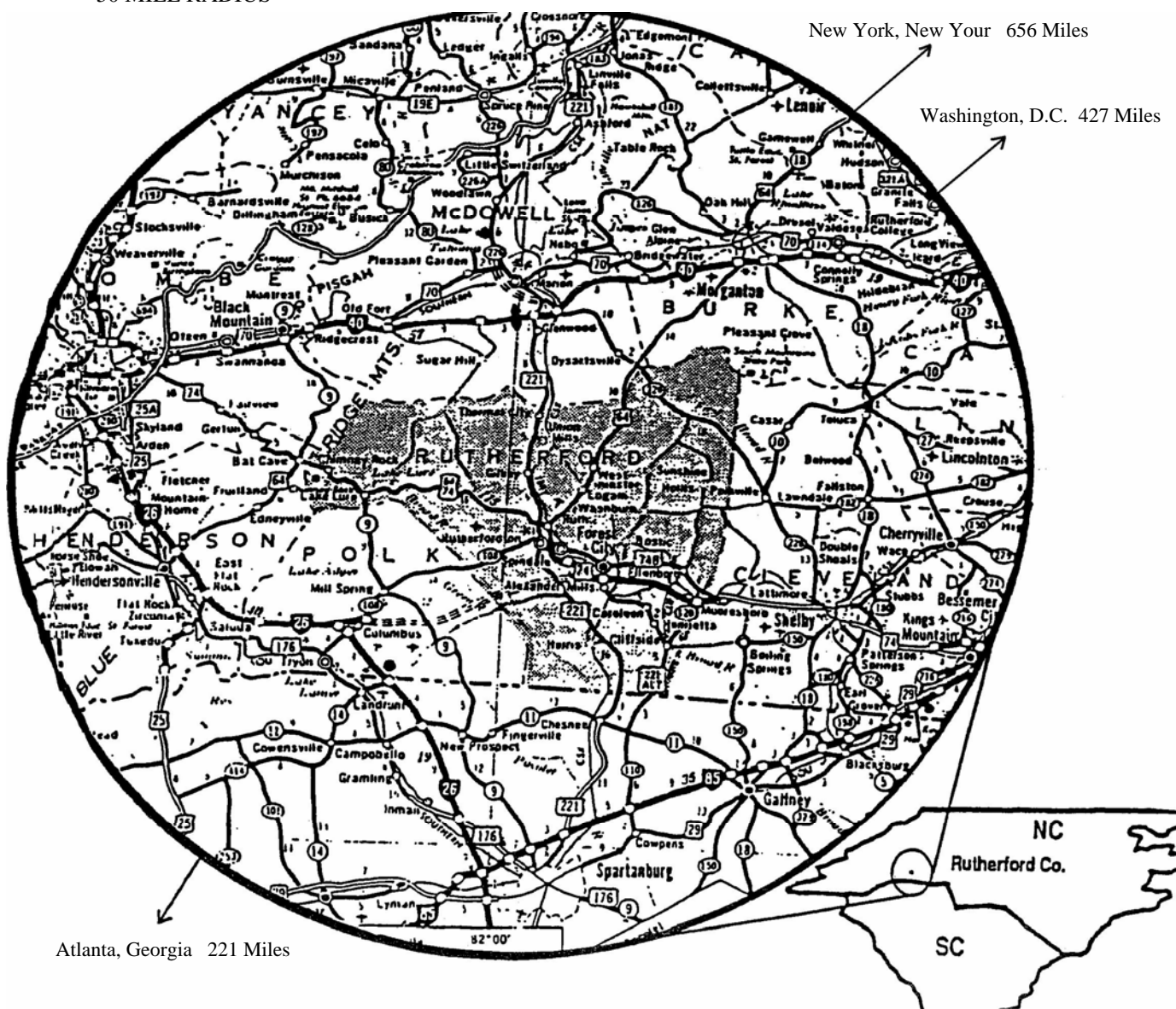
THE COUNTY

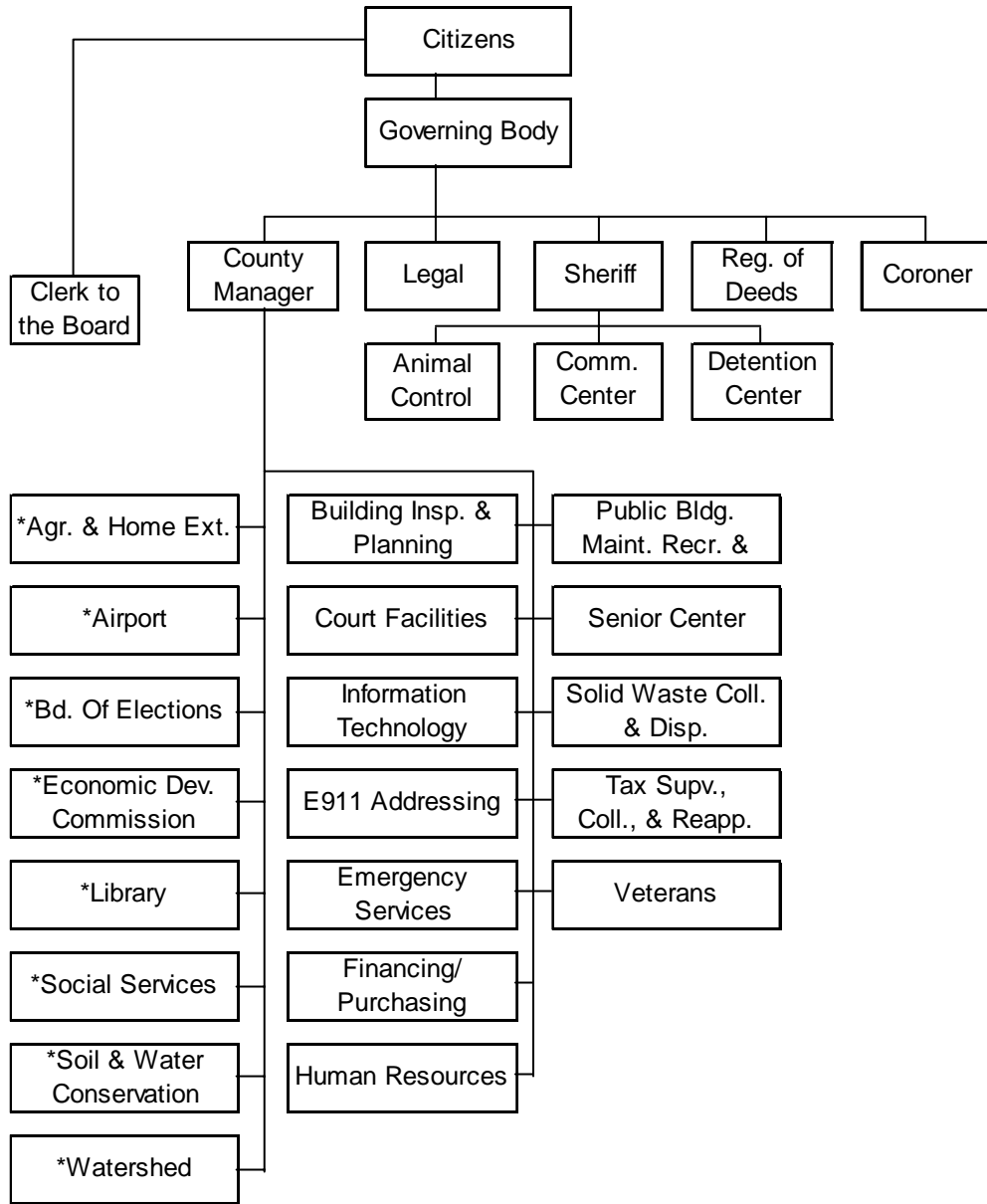
General Description

The County was formed in 1779 from Tryon and named for General Griffith B. Rutherford. The County Comprises approximately 566 square miles and is nestled in the rolling foothills of the Blue Ridge Mountains in the heart of the Thermal Belt. These mountain ranges provide shelter from extreme weather conditions in winter, but have cooling mountain breezes in summer. This moderation of weather and temperatures contribute greatly to the pleasant and peaceful living conditions enjoyed by the County residents.

Located in an urban triangle comprised of Charlotte, North Carolina – 70 miles; Asheville, North Carolina – 45 miles; and Spartanburg, South Carolina – 30 miles, the residents of the County enjoy suburban living while having access to urban facilities.

50 MILE RADIUS





Rutherford County Government

* Appointed in whole or in part by others.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Rutherford County,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enser

Executive Director

RUTHERFORD COUNTY, NORTH CAROLINA

June 30, 2004

Board of County Commissioners

Charles Hill, Chairman

Chivous Bradley, Vice Chairman

Amanda King

Paul McIntosh

Brent Washburn

County Manager

John Condrey

Finance Director

Robert W. Bole

Assistant Finance Director

Paula A. Roach



Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Commissioners
Rutherford County
Rutherfordton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rutherford County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina as of June 30, 2004, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation allowance, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004 on our consideration of Rutherford County, North Carolina's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Rutherford County, North Carolina, taken as a whole. The combining and individual fund nonmajor fund and schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information presented in the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
October 15, 2004

Management's Discussion and Analysis

As management of Rutherford County, we offer readers of Rutherford County's financial statements this narrative overview and analysis of the financial activities of Rutherford County for the fiscal year ended June 30, 2004. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

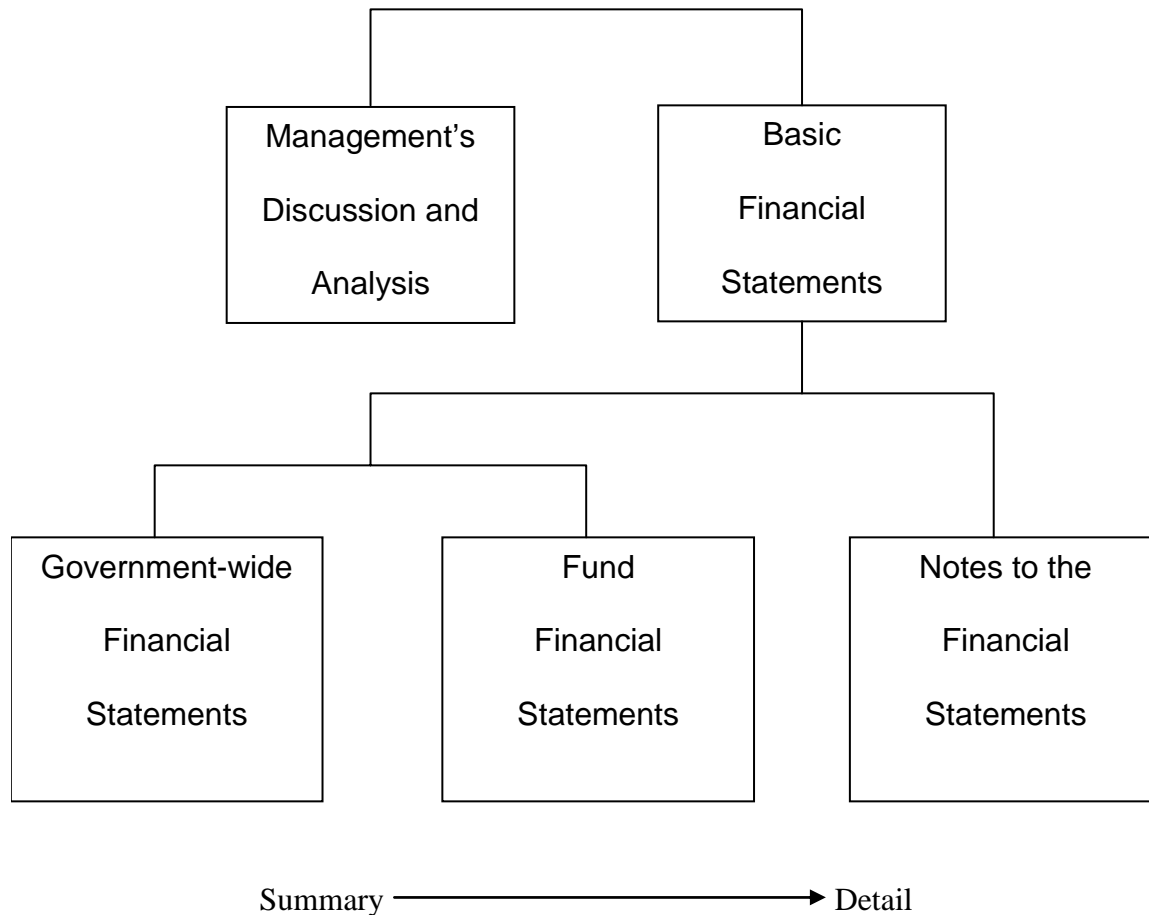
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$23,087,178, a decrease of \$16,336,062 in comparison with the prior year. The combined fund balance consisted of: general fund - \$12,712,316; capital projects fund - schools - \$4,669,181; non-major special revenue \$5,705,681. Approximately 77 percent of this total amount, or \$17,819,142, is available for spending at the government's discretion (unreserved fund balance). In 2003, the unreserved fund balance was \$35,024,202, or 61.7 % of expenditures.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$ 8,931,431, or 22.4% of total general fund expenditures. In 2003, unreserved fund balance in the General Fund was \$7,011,749, or 18.8% of total expenditures.
- The liabilities of Rutherford County exceeded its assets at the close of the fiscal year resulting in a deficit of \$10,216,030 (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$35,865,000 in long-term debt associated with assets belonging to the Rutherford County Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County reports a net deficit in unrestricted net assets.
- The government's total net assets decreased by \$6,477,330.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Rutherford County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the fiscal condition of Rutherford County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The financial statements of the County for the fiscal year ended June 30, 2003, have been prepared to implement Governmental Accounting Standards Board Statement 34(GASB 34). For many years, the primary focus has been summarized by fund type information. GASB 34 added government-wide statements to the presentation, thus providing two different pictures of the County's financial operations.

The first two statements in the basic financial statements (Exhibit 1 and 1) are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (Exhibit 3 through 9) are Fund Financial Statements. These statements focus on the activities of the County and provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The final section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's non-major governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's law enforcement officers' pension plan.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. These statements are prepared under the full-accrual basis of accounting where all the current year's revenues and expenses are included regardless of when cash is received or paid. The government-wide statements provide short and long-term information about the County's financial status as a whole. The two government-wide statements report the County's net assets and how they have changed. The Statement of Net Assets and the Statement of Activities help to determine if the County as a whole is better or worse off as a result of the current year's activities.

The Statement of Net Assets reflects the County's net assets at the end of the fiscal year. The net assets of the County are the difference between total assets (what is owned) and total liabilities (what is owed). Measuring net assets is one way to gage the County's financial condition. However, other non-financial information such as changes in the County's property tax base and the condition of capital assets should be considered as well.

The Statement of Activities reflects the changes in the County's net assets that occurred during the fiscal year. These changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing or related cash flows. Accordingly, revenues and expenses are reported for some items that will only result cash flows in future fiscal years (i.e. uncollected property taxes and earned but unused vacation leave).

The government-wide financial statements are divided into the following three types of activities:

Governmental activities – These activities of the County include general government, public safety, human services, economic and physical development, education, and cultural and recreation.

Business-type activities – The County charges fees to recover the costs associated with providing certain services. These activities include solid waste disposal.

Component units – The government-wide financial statements include not only the County of Rutherford itself (known as the primary government), but also a legally separate airport, a legally separate tourism development authority, and a legally separate economic development commission for which the County of Rutherford is financially accountable. Financial information for these component units is reported separately from the financial information for the primary government itself.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rutherford County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Rutherford County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Rutherford County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – Rutherford County has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Rutherford County uses enterprise funds to account for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – Agency funds are used to account for resources held for the benefit of parties outside the government. Rutherford County has four agency funds. Trust funds are also funds held for the benefit of other parties. Rutherford County has one trust fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 9.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Rutherford County's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found following the Notes to the Financial Statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of Rutherford County exceeded assets by \$6,604,513 as of June 30, 2004. As of June 30, 2003, the net assets of Rutherford County stood at a deficit of (\$127,183). The County's net assets decreased by \$6,477,330 for the fiscal year ended June 30, 2004, compared to a decrease of \$1,083,618 in 2003. One of the largest portions reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Rutherford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rutherford County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of Rutherford County's net assets (approximately 15.3%) represents resources that are subject to external restrictions on how they may be used. At June 30, 2004, the total net deficit of (\$17,427,687) in unrestricted net assets is primarily attributable to the governmental activities unrestricted deficit balance of (\$19,208,792). In 2003, the amount of net assets invested in capital assets net of related debt was \$6,034,804, with restricted assets standing at \$23,924,954. The remaining deficit balance (\$30,086,941) was unrestricted net assets for that year.

Figure 2
RUTHERFORD COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	Total
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 27,135,146	\$ 42,192,049	\$ 4,039,052	\$ 3,742,743	\$ 31,174,198	\$ 45,934,792
Capital assets	23,942,751	18,701,945	2,622,441	2,819,398	26,565,192	21,521,343
Total assets	\$ 51,077,897	\$ 60,893,994	\$ 6,661,493	\$ 6,562,141	\$ 57,739,390	\$ 67,456,135
Long-term liabilities outstanding	\$ 58,137,310	\$ 61,528,362	\$ 2,818,923	\$ 2,874,126	\$ 60,956,233	\$ 64,402,488
Other liabilities	3,156,614	2,908,552	231,050	272,278	3,387,664	3,180,830
Total liabilities	61,293,924	64,436,914	3,049,973	3,146,404	64,343,897	67,583,318
Net assets:						
Invested in capital assets, net of related debt	2,667,572	4,204,392	1,728,497	1,830,412	\$ 4,396,069	\$ 6,034,804
Restricted	6,325,190	23,924,954	-	-	\$ 6,325,190	\$ 23,924,954
Unrestricted	(19,208,792)	(31,672,266)	1,883,020	1,585,325	\$ (17,325,772)	\$ (30,086,941)
Total net assets	\$ (10,216,030)	\$ (3,542,920)	\$ 3,611,517	\$ 3,415,737	\$ (6,604,513)	\$ (127,183)

The majority of the governmental activities deficit consists of the school construction debt. As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the county's outstanding debt incurred for the County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of county funds, general obligation debt and certificates of participation. The assets funded by the County, however, are owned and utilized by the school system. When the County, as the issuing government, acquires no capital assets, the County incurs a liability without a corresponding increase in assets. Sunshine Elementary is an exception that the County owns the school (currently under construction). At the end of the fiscal year, approximately \$35,865,000 million of the outstanding debt on the County's financial statements was related to assets included in the school system's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The decline in total assets and the impact of the inclusion of the school system debt without the corresponding assets were offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 95.4%. This represents a slight decrease from fiscal year 2003 when the tax collection percentage for the county was 95.6%.
- Lower than appropriated county share of Medicaid costs also positively affected net assets.
- Department of Correction inmate housing fees also increased service revenues to positively affect net assets.

Figure 3

RUTHERFORD COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Revenues:						
Program revenues:						
Charges for services	\$ 3,685,113	\$ 3,031,299	\$ 3,227,006	\$ 3,152,322	\$ 6,912,119	\$ 6,183,621
Operating grants and contributions	7,962,549	8,152,455	213,493	-	8,176,042	8,152,455
Capital grants and contributions	944,225	772,701	-	-	944,225	772,701
General revenues:						
Property taxes	25,192,052	25,454,307	-	-	25,192,052	25,454,307
Other taxes	12,866,780	10,499,630	-	-	12,866,780	10,499,630
Other	1,332,352	825,935	35,788	131,093	1,368,140	957,028
Total revenues	51,983,071	48,736,327	3,476,287	3,283,415	55,459,358	52,019,742
Expenses:						
General government	4,544,885	4,656,686	-	-	4,544,885	4,656,686
Public safety	10,821,652	9,856,540	-	-	10,821,652	9,856,540
Environmental protection	98,217	102,089	-	-	98,217	102,089
Economic and physical development	3,134,384	1,090,193	-	-	3,134,384	1,090,193
Human services	13,865,856	13,354,244	-	-	13,865,856	13,354,244
Cultural and recreation	440,354	415,717	-	-	440,354	415,717
Education	23,473,409	18,562,891	-	-	23,473,409	18,562,891
Interest on long-term debt	2,322,059	1,938,582	-	-	2,322,059	1,938,582
Landfill	-	-	3,235,872	3,126,418	3,235,872	3,126,418
Total expenses	58,700,816	49,976,942	3,235,872	3,126,418	61,936,688	53,103,360
Increase (decrease) in net assets before transfers and special items	(6,717,745)	(1,240,615)	240,415	156,997	(6,477,330)	(1,083,618)
Transfers	44,635	30,000	(44,635)	(30,000)	-	-
Increase in net assets	(6,673,110)	(1,210,615)	195,780	126,997	(6,477,330)	(1,083,618)
Net assets, July 1	(3,542,920)	(2,332,305)	3,415,737	3,288,740	(127,183)	956,435
Net assets, June 30	\$ (10,216,030)	\$ (3,542,920)	\$ 3,611,517	\$ 3,415,737	\$ (6,604,513)	\$ (127,183)

Governmental activities. Governmental activities decreased the County's net assets by \$6,673,110. This compares to a decrease of \$1,210,615 in 2003. The key element of this decrease is the use of debt proceeds to construct new schools. The offsetting assets – the schools – are owned and utilized by the school system as discussed earlier following Figure 2.

Business-type activities: Business-type activities increased Rutherford County's net assets by \$195,780. Key elements of this increase are effective cost management in operation of landfill.

The County established an Enterprise Fund on July 1, 1992 to account for solid waste collection and disposal operations that are financed through solid waste fees. Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. In order to meet this requirement, the County constructed a transfer station and began transporting MSW to a lined landfill outside the County. Studies are currently being conducted on the feasibility of constructing a lined landfill adjacent to our Central Landfill. The County is in the process of applying for a permit with the North Carolina Department of Environment and Natural Resources for this construction.

The current contract for MSW transportation out of County expires December 2008.

The County continues to operate a Construction and Demolition (C&D) landfill as C&D is not required to be placed in a lined landfill. The County has established a two-tiered tipping fee system. The tipping fee for C&D is \$25 per ton and the tipping fee for all other commercial industrial waste is \$37 per ton. The household fee is \$100 per household per year. Eight convenience centers and two manned green box sites are now in operation throughout the County.

Financial Analysis of the County's Funds

As noted earlier, Rutherford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Rutherford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Rutherford County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Rutherford County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$7,873,796, while total fund balance reached \$12,712,316. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 19.8 percent of total General Fund expenditures, while total fund balance represents 31.9 percent of that same amount.

At June 30, 2004, the governmental funds of Rutherford County reported a combined fund balance of \$23,087,178, a 41.4 percent decrease over last year. The primary reason for this decrease is the debt proceeds included in the Capital Projects Fund – Schools fund balance reserved for school construction.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total budget amendments to the General Fund increased revenues by \$855,499. One general fund amendment which was made in Fiscal Year 2003-2004 and is worth noting involves \$546,744 fund balance appropriated to purchase land on Highway 221 South for industrial development.

Proprietary Funds. Rutherford County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Landfill Fund at the end of the fiscal year amounted to \$1,781,105. The total growth in net assets was \$195,780. Other factors concerning the finances of this fund have already been addressed in the discussion of Rutherford County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Rutherford County's capital assets for its governmental and business – type activities as of June 30, 2004, totals \$26,565,192 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchased new vehicles and ambulances for Public Safety
- Purchased land for economic development
- Received land and buildings as a result of the Rutherford-Polk Mental Health Authority's dissolution
- Courthouse renovation and Sheriff office addition completed
- Purchased additional land adjoining landfill
- Purchased new vehicles for Transit Authority

Figure 4
RUTHERFORD COUNTY'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	Total
	2004	2003	2004	2003	2004	2003
Land	\$ 1,524,124	\$ 1,203,220	\$ 641,261	\$ 527,912	\$ 2,165,385	\$ 1,731,132
Buildings and system	15,367,050	13,786,152	1,471,360	1,660,577	16,838,410	15,446,729
Improvements other than buildings	79,692	97,993	-	-	79,692	97,993
Machinery and equipment	493,636	588,641	414,392	504,272	908,028	1,092,913
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	990,214	975,567	95,428	126,637	1,085,642	1,102,204
Construction in progress	5,488,034	2,050,372	-	-	5,488,034	2,050,372
Total	\$ 23,942,750	\$ 18,701,945	\$ 2,622,441	\$ 2,819,398	\$ 26,565,191	\$ 21,521,343

Additional information on the County's capital assets can be found in note 4(D) of the Basic Financial Statements.

Long-term Debt. As of June 30, 2004, Rutherford County had total bonded debt outstanding of \$16,050,000 all of which is debt backed by the full faith and credit of the County.

Figure 5
Rutherford County's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 16,050,000	\$ 18,420,000	\$ -	\$ -	\$ 16,050,000	\$ 18,420,000

Rutherford County's total debt decreased by \$3, 474,952 (5.6 percent) during the past fiscal year.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A" with Standard and Poors Corporation and "A+" with Fitch Ratings. The rating for the September 2002 COPS financing is "A3" with Moody Investor Service, "A-" with Standard and Poors Corporation and "A" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Rutherford County is \$254,915,661. The County has no un-issued authorized bonds at June 30, 2004.

Additional information regarding Rutherford County's long-term debt can be found in Note 6. of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

In 2004, Rutherford County continued to see manufacturing jobs decline; while service sector jobs increased, but at a slower pace. The service sector jobs also are replacing manufacturing jobs at a lower wage rate. Since 2000, 1,970 industry jobs have been created, as well as, indirect jobs being created in retail and the restaurant area. For example, in the last two years there has been significant growth with the addition of a Lowe's Home Improvement Store, expansion of a Super Wal-Mart and many new restaurants like Fatz and Chili's.

The outlook for 2004 continues to look positive provided the US economy continues its recovery. Activity from new companies considering Rutherford County continues to increase. It must be noted these companies are smaller and wages are lower. This follows the US trend in more rural counties. The technology companies paying higher wages continue to cluster around research universities.

Budget Highlights for the Fiscal Year Ending June 30, 2005

Governmental Activities: Property taxes and revenues from permits and fees are expected to lead the increase in revenue projections. Budgeted expenditures in the General Fund are expected to rise by approximately six percent to \$48,571,735. The largest increments are in liability and health insurance, employee compensation, and school appropriations.

The ENC Initiative has lead to the establishment of four Business and Technology Centers in North Carolina. Rutherford County has received preliminary designation for one of the next two centers. For the upcoming fiscal year, \$30,000 has been budgeted to begin the planning process to pursue this initiative. Telecenters were envisioned to serve the following purposes: assist businesses, entrepreneurs, and self-employed individuals; promote the use of technology and the Internet to all sectors of the community; provide technology services and resources to small businesses, community organizations, and individuals; provide training programs and classes, especially as related to technology and the Internet; and provide a public access site.

Business – type Activities: The rates for landfill services will remain unchanged.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Rutherford County, 289 North Main Street, Rutherfordton, NC 28139.



Rutherford County, North Carolina
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,466,460	\$ 1,904,782	\$ 18,371,242
Receivables (net)	2,807,759	409,266	3,217,025
Due from other governments	3,893,816	-	3,893,816
Inventories	22,215	-	22,215
Prepaid items	46,535	-	46,535
Cash and cash equivalents - restricted	3,896,794	-	3,896,794
Capital assets:			
Land and			
construction in progress	7,012,159	641,261	7,653,420
Other capital assets, net of			
depreciation	16,930,592	1,981,180	18,911,772
Total capital assets	23,942,751	2,622,441	26,565,192
Total assets	51,076,330	4,936,489	56,012,819
LIABILITIES			
Accounts payable and accrued			
expenses	822,141	230,952	1,053,093
Accrued interest payable	366,848	-	366,848
Unearned revenue	242,625	-	242,625
Internal balances	1,725,000	(1,725,000)	-
Long-term liabilities:			
Due within one year	5,002,841	167,000	5,169,841
Due in more than one year	53,134,469	2,652,020	55,786,489
Total liabilities	61,293,924	1,324,972	62,618,896
NET ASSETS			
Invested in capital assets, net of			
related debt	2,667,572	1,728,497	4,396,069
Restricted for:			
Register of Deeds	159,381	-	159,381
Wireless 911	851,353	-	851,353
Capital projects	5,314,456	-	5,314,456
Unrestricted (deficit)	(19,208,792)	1,883,020	(17,325,772)
Total net assets	\$ (10,216,030)	\$ 3,611,517	\$ (6,604,513)

Exhibit 1

Component Units		
Economic Development Commission	Rutherford County Airport Authority	Transit Administration
\$ -	\$ -	\$ 69,848
-	-	-
-	-	49,384
-	-	-
-	-	-
-	-	-
-	423,979	-
-	1,786,411	275,790
-	2,210,390	275,790
-	2,210,390	395,022
-	-	18,666
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	18,666
-	2,210,390	275,790
-	-	-
-	-	-
-	-	-
-	-	100,566
\$ -	\$ 2,210,390	\$ 376,356

The accompanying notes are an integral part of these financial statements.

Rutherford County, North Carolina
Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 4,544,885	\$ 652,769	\$ -	\$ 155,478
Public safety	10,821,652	2,952,281	124,248	47,291
Environmental protection	98,217	-	-	11,000
Economic and physical development	3,134,384	-	139,522	332,257
Human services	13,865,856	80,063	7,698,779	-
Cultural and recreation	440,354	-	-	-
Education	23,473,409	-	-	398,199
Interest on long-term debt	2,322,059	-	-	-
Total governmental activities	58,700,816	3,685,113	7,962,549	944,225
Business-type activities:				
Solid Waste Disposal	3,235,872	3,227,006	213,493	-
Total business-type activities	3,235,872	3,227,006	213,493	-
	\$ 61,936,688	\$ 6,912,119	\$ 8,176,042	\$ 944,225
Component units:				
Economic Development Commission	\$ 1,212,397	\$ -	\$ 1,212,397	\$ -
Rutherford County Airport Authority	114,758	28,169	-	30,000
Transit Administration	640,562	316,653	217,037	-
Total component units	\$ 1,967,717	\$ 344,822	\$ 1,429,434	\$ 30,000
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues and transfers				
Changes in net assets				
Net assets, beginning				
Net assets, ending				

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Economic Development Commission	Rutherford County Airport Authority	Transit Administration
\$ (3,736,638)	\$ -	\$ (3,736,638)			
(7,697,832)	-	(7,697,832)			
(87,217)	-	(87,217)			
(2,662,605)	-	(2,662,605)			
(6,087,014)	-	(6,087,014)			
(440,354)	-	(440,354)			
(23,075,210)	-	(23,075,210)			
(2,322,059)	-	(2,322,059)			
(46,108,929)	-	(46,108,929)			
-	204,627	204,627			
-	204,627	204,627			
(46,108,929)	204,627	(45,904,302)			
			\$ -	\$ -	\$ -
			-	(56,589)	-
			-	-	(106,872)
			-	(56,589)	(106,872)
25,192,052	-	25,192,052	-	-	-
11,278,753	-	11,278,753	-	-	-
1,588,027	-	1,588,027	-	-	-
443,135	35,788	478,923	-	-	-
889,217	-	889,217	-	-	-
44,635	(44,635)	-	-	-	-
39,435,819	(8,847)	39,426,972	-	-	-
(6,673,110)	195,780	(6,477,330)	-	(56,589)	(106,872)
(3,542,920)	3,415,737	(127,183)	-	2,266,979	483,228
\$ (10,216,030)	\$ 3,611,517	\$ (6,604,513)	\$ -	\$ 2,210,390	\$ 376,356

The accompanying notes are an integral part of these financial statements.



Rutherford County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2004

	<u>General</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 10,030,758	\$ 894,083	\$ 5,078,157	\$ 16,002,998
Receivables, net	2,380,261	-	253,012	2,633,273
Due from other governments	3,429,609	457,669	6,538	3,893,816
Prepaid items	46,534	-	-	46,534
Inventories	22,215	-	-	22,215
Cash and cash equivalents - restricted	-	3,317,429	579,365	3,896,794
Total assets	<u>\$ 15,909,377</u>	<u>\$ 4,669,181</u>	<u>\$ 5,917,072</u>	<u>\$ 26,495,630</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 602,854	\$ -	\$ 71,166	\$ 674,020
Unearned revenue	229,867	-	12,758	242,625
Deferred revenue	2,364,340	-	127,467	2,491,807
Total liabilities	<u>3,197,061</u>	<u>-</u>	<u>211,391</u>	<u>3,408,452</u>

Fund balances:

Reserved for:

Inventories and prepaid items	60,750	-	-	60,750
State statute	3,453,527	457,669	85,791	3,996,987
Court facilities	266,608	-	-	266,608
Register of Deeds	-	-	159,381	159,381
Wireless 911	-	-	784,310	784,310
Unreserved	8,931,431	-	-	8,931,431
Unreserved, reported in nonmajor:				
Debt service fund			10,518	10,518
Special revenue funds	-	-	4,021,431	4,021,431
Capital projects funds	-	4,211,512	644,250	4,855,762
Total fund balances	<u>12,712,316</u>	<u>4,669,181</u>	<u>5,705,681</u>	<u>23,087,178</u>
Total liabilities and fund balances	<u>\$ 15,909,377</u>	<u>\$ 4,669,181</u>	<u>\$ 5,917,072</u>	

Amounts reported for governmental activities in the
statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,942,750
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	174,487
Internal service funds are used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	316,908
Liabilities for earned but deferred revenues in fund statements.	2,491,807
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 1).	(60,229,160)
Net assets of governmental activities	<u>\$ (10,216,030)</u>

The accompanying notes are an integral part of this financial statement.

Rutherford County, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2004

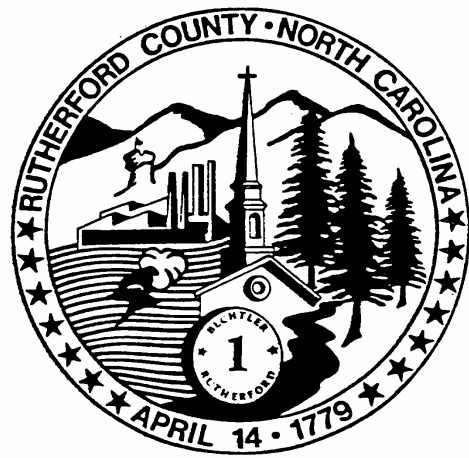
	General	School Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 23,724,076	\$ -	\$ 1,268,186	\$ 24,992,262
Local option sales taxes	11,278,753	-	559,203	11,837,956
Other taxes and licenses	-	-	251,735	251,735
Restricted intergovernmental	7,852,532	398,199	858,886	9,109,617
Permits and fees	1,012,848	-	-	1,012,848
Sales and services	2,414,808	-	563,712	2,978,520
Investment earnings	290,896	97,047	55,193	443,136
Miscellaneous	228,642	-	-	228,642
Total revenues	<u>46,802,555</u>	<u>495,246</u>	<u>3,556,915</u>	<u>50,854,716</u>
EXPENDITURES				
Current:				
General government	4,312,989	-	487,684	4,800,673
Public safety	8,134,773	-	2,286,654	10,421,427
Environmental protection	110,493	-	8,346	118,839
Economic and physical development	1,155,717	-	946,098	2,101,815
Human services	13,754,017	-	-	13,754,017
Cultural and recreational	398,368	-	-	398,368
Intergovernmental:				
Education	11,311,729	-	-	11,311,729
Capital outlay	-	17,303,190	1,078,392	18,381,582
Debt service:				
Principal	656,333	-	4,172,206	4,828,539
Interest and other charges	29,384	2,859	1,853,517	1,885,760
Total expenditures	<u>39,863,803</u>	<u>17,306,049</u>	<u>10,832,897</u>	<u>68,002,749</u>
Revenues over (under) expenditures	<u>6,938,752</u>	<u>(16,810,803)</u>	<u>(7,275,982)</u>	<u>(17,148,033)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	473,015	-	(6,115,616)	(5,642,601)
Transfers to other funds	(5,894,373)	-	11,581,609	5,687,236
Proceeds from debt	767,336	-	-	767,336
Total other financing sources and uses	<u>(4,654,022)</u>	<u>-</u>	<u>5,465,993</u>	<u>811,971</u>
Net changes in fund balances	2,284,730	(16,810,803)	(1,809,989)	(16,336,062)
Fund balances, beginning	10,427,586	21,479,984	7,515,670	39,423,240
Fund balances, ending	<u>\$ 12,712,316</u>	<u>\$ 4,669,181</u>	<u>\$ 5,705,681</u>	<u>\$ 23,087,178</u>

Exhibit 4

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (16,336,062)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,664,704
The net effect of donated capital assets is to increase net assets.	576,100
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,541,019
The net revenue of the internal service fund is reported with governmental activities.	316,908
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	57,774
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>506,447</u>
Total changes in net assets of governmental activities	<u><u>\$ (6,673,110)</u></u>

The accompanying notes are an integral part of this financial statement.



Rutherford County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2004

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 23,666,995	\$ 23,666,995	\$ 23,724,076	\$ 57,081
Local option sales taxes	10,641,365	10,633,365	11,278,753	645,388
Restricted intergovernmental	7,540,192	8,031,679	7,852,532	(179,147)
Permits and fees	852,350	860,350	1,012,848	152,498
Sales and services	1,630,550	1,833,702	2,414,808	581,106
Investment earnings	300,000	300,000	290,896	(9,104)
Miscellaneous	61,642	222,502	228,642	6,140
Total revenues	<u>44,693,094</u>	<u>45,548,593</u>	<u>46,802,555</u>	<u>1,253,962</u>
Expenditures:				
Current:				
General government	4,657,016	4,811,519	4,312,989	498,530
Public safety	8,046,807	8,232,917	8,134,773	98,144
Environmental protection	112,341	112,341	110,493	1,848
Economic and physical development	1,138,722	1,456,306	1,155,717	300,589
Human services	14,101,897	14,850,526	13,754,017	1,096,509
Cultural and recreational	393,494	413,447	398,368	15,079
Contingency	225,000	-	-	-
Intergovernmental:				
Education	11,126,729	11,311,729	11,311,729	-
Total current expenditures	<u>39,802,006</u>	<u>41,188,785</u>	<u>39,178,086</u>	<u>2,010,699</u>
Debt service:				
Principal retirement			656,333	
Interest and other charges			29,384	
Total debt service	<u>700,389</u>	<u>700,389</u>	<u>685,717</u>	<u>14,672</u>
Total expenditures	<u>40,502,395</u>	<u>41,889,174</u>	<u>39,863,803</u>	<u>2,025,371</u>
Revenues over (under) expenditures	<u>4,190,699</u>	<u>3,659,419</u>	<u>6,938,752</u>	<u>3,279,333</u>
Other financing sources (uses):				
Transfers from other funds	504,735	731,370	473,015	(258,355)
Transfers to other funds	(5,668,611)	(5,994,462)	(5,894,373)	100,089
Proceeds from capital lease	767,446	767,446	767,336	(110)
Appropriated fund balances	205,731	836,227	-	(836,227)
Total other financing sources (uses)	<u>(4,190,699)</u>	<u>(3,659,419)</u>	<u>(4,654,022)</u>	<u>(994,603)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>2,284,730</u>	<u>\$ 2,284,730</u>
Fund balances:				
Beginning of year, July 1			10,427,586	
End of year, June 30			<u>\$ 12,712,316</u>	

The accompanying notes are an integral part of this financial statement.

Rutherford County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Enterprise Funds</u>	
	Solid Waste Disposal Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,904,782	\$ 463,462
Receivables, net	409,266	1,567
Due from General Fund	125,000	-
Total current assets	<u>2,439,048</u>	<u>465,029</u>
Capital assets:		
Land, improvements, and construction in progress	641,261	-
Other capital assets, net of depreciation	1,981,180	-
Total capital assets	<u>2,622,441</u>	<u>-</u>
Other long-term assets:		
Due from General Fund	1,600,000	-
Total noncurrent assets	<u>4,222,441</u>	<u>-</u>
Total assets	<u>6,661,489</u>	<u>465,029</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	230,952	148,121
Current portion of long-term liabilities	167,000	-
Total current liabilities	<u>397,952</u>	<u>148,121</u>
Noncurrent liabilities:		
Accrued landfill closure and postclosure care costs	1,858,076	-
Long-term debt	793,944	-
Total noncurrent liabilities	<u>2,652,020</u>	<u>-</u>
Total liabilities	<u>3,049,972</u>	<u>148,121</u>
 NET ASSETS		
Invested in capital assets, net of related debt	1,728,497	-
Unrestricted	1,883,020	316,908
Total net assets	<u>\$ 3,611,517</u>	<u>\$ 316,908</u>

The accompanying notes are an integral part of this financial statement.

Rutherford County, North Carolina
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Enterprise Funds	
	Solid Waste Disposal Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 3,227,006	\$ 2,669,127
Miscellaneous	213,493	-
Total operating revenues	<u>3,440,499</u>	<u>2,669,127</u>
OPERATING EXPENSES		
Salaries, wages, and fringe benefits	971,983	-
Maintenance and repairs	93,992	-
Other operating expenses	1,873,848	2,352,219
Landfill closure and postclosure care costs	(22,235)	-
Depreciation	267,593	-
Total operating expenses	<u>3,185,181</u>	<u>2,352,219</u>
Operating income	<u>255,318</u>	<u>316,908</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	35,788	-
Interest and other charges	(50,691)	-
Total nonoperating revenue (expenses)	<u>(14,903)</u>	<u>-</u>
Income before transfers	240,415	316,908
Transfers from (to) other funds	<u>(44,635)</u>	<u>-</u>
Changes in net assets	195,780	316,908
Total net assets, beginning	<u>3,415,737</u>	<u>-</u>
Total net assets, ending	<u><u>\$ 3,611,517</u></u>	<u><u>\$ 316,908</u></u>

The accompanying notes are an integral part of this financial statement.

Rutherford County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

	<u>Enterprise Funds</u>	
	Solid Waste Disposal Fund	Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	\$ 3,441,587	\$ 2,667,559
Cash paid to employees for services	(770,535)	-
Cash paid for goods and services	(2,148,437)	(2,204,097)
Net cash provided by operating activities	<u>522,615</u>	<u>463,462</u>
Cash flows from noncapital financing activities:		
Transfers out	<u>(44,635)</u>	<u>-</u>
Net cash used by noncapital financing activities	<u>(44,635)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(70,636)	-
Principal paid on long-term debt	(95,042)	-
Interest paid on long-term debt	<u>(50,691)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(216,369)</u>	<u>-</u>
Cash flows from investing activities:		
Repayment of advances to other funds	125,000	-
Interest on investments	<u>35,788</u>	<u>-</u>
Net cash provided by investing activities	<u>160,788</u>	<u>-</u>
Net increase in cash and cash equivalents	422,399	463,462
Cash and cash equivalents, beginning of year	1,482,383	-
Cash and cash equivalents, end of year	<u><u>\$ 1,904,782</u></u>	<u><u>\$ 463,462</u></u>

Exhibit 8

	<u>Enterprise Funds</u> Solid Waste Disposal Fund	<u>Internal Service Fund</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 255,318	\$ 316,908
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	267,593	-
Landfill closure and postclosure care costs	(55,064)	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	1,094	(1,567)
Increase (decrease) in accounts payable and accrued liabilities	53,674	148,121
Total adjustments	267,297	146,554
Net cash provided by operating activities	\$ 522,615	\$ 463,462

The accompanying notes are an integral part of these financial statements

Exhibit 9

**Rutherford County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	<u>Agency Funds</u>	<u>Trust Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 201,258	\$ 1,011,552	\$ 1,212,810
	<u>\$ 201,258</u>	<u>\$ 1,011,552</u>	<u>\$ 1,212,810</u>
LIABILITIES			
Accounts payable	\$ 33,482	\$ 2,415	\$ 35,897
Due to other taxing units	70,172		70,172
Due to beneficiaries	97,604	1,009,137	1,106,741
	<u>\$ 201,258</u>	<u>\$ 1,011,552</u>	<u>\$ 1,212,810</u>

The accompanying notes are an integral part of this financial statement.

RUTHERFORD COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Rutherford County and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

(A) Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the basic financial statements.

Rutherford County Industrial Facility and Pollution Control Financing Authority

The Rutherford County Industrial Facility and Pollution Control Financing Authority ("Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

The three discretely presented component units discussed below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

Economic Development Commission and Rutherford County Airport Authority

The County appoints a majority of the Board of Directors of the Economic Development Commission ("Commission") and the Rutherford County Airport Authority ("Authority"). Operations of the Commission and Authority are budgeted and administered as a part of the general fund. The Commission and Authority do not issue separate financial statements. The Statement of Net Assets and Statement of Activities for these two governmental activity component units are discretely presented in separate columns in the government-wide financial statements.

Rutherford County Transit Administration

The Rutherford County Transit Administration, Inc. ("Transit Administration") is a non-profit corporation organized to coordinate and provide the most cost effective method of transportation services for Rutherford County. The County appoints a majority of the Board of Directors for the Transit Administration and is able to impose its will on the Transit Administration. The Transit Administration, which has a June 30 year-end, is presented as if it were a business activity component unit. The Transit Administration does not issue separate financial statements. The Statement of Net Assets and Statement of Activities include a separate column for this business-type activity.

(B) Basis of Presentation – Basis of Accounting**Basis of Presentation, Measurement Focus - Basis of Accounting**

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Capital Projects. This fund accounts for the construction of local public schools. Sales tax, general obligation bonds, and certificates of participation are used to finance these projects. Once constructed, the assets will be capitalized by the local school units.

The County reports the following major enterprise fund:

Solid Waste Disposal Fund. This fund accounts for the solid waste collection and disposal operations and is financed with user fees.

The County reports the following fund types:

Internal Service Fund. The internal service fund is used to account for the accumulation and allocation of costs associated with the County's self-insured group health and dental insurance programs.

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Agriculture Department Advisory Council Fund, which accounts for monies deposited for the benefit of the Council; the Cities Tax Collection Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; and the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates.

Trust Funds. The mental health retiree insurance trust fund is used to account for medical expenses incurred for the mental health retirees as established January 1, 2004.

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Rutherford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2004 because they are intended to finance the County's operations during the 2004 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The County has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

(C) **Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue, the debt service and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and proprietary funds, and at the object level for the capital projects funds. All amendments at the functional level must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 - The budget ordinance shall be approved by the governing board.

(D) **Assets, Liabilities, and Fund Equity**

(1) **Deposits and Investments**

The deposits of the County and Transit Administration are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and Transit Administration may designate, as an official depository, any bank, or savings association whose principal office is located in North Carolina. The County and Transit Administration may also establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the County and Transit Administration to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County and Transit Administration's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at amortized cost.

(2) **Cash and Cash Equivalents**

The County pools money from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) **Restricted Assets**

Cash and cash equivalents held in escrow are restricted as follows:

Reserved for school construction	\$ 3,317,429
Reserved for county buildings construction	579,365
	<u>\$ 3,896,794</u>

(4) Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2003. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

(5) Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

(6) Inventory

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The inventories are held for consumption and the costs are recorded as an expenditure when consumed.

(7) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Rutherford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Rutherford County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

(8) Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

(9) **Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

(10) **Net Assets/Fund Balances**

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventories and prepaid items - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories and prepaid items, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for Court Facilities – portion of fund balance available for court facilities.

Reserved for register of deeds – portion of fund balance available to pay for computer and imaging technology in the office of the register of deeds.

Reserved for Wireless 911 expenditures – portion of fund balance available for lease, purchase or maintenance of emergency telephone equipment for the wireless enhanced 911 systems (including necessary computer hardware, software and data base provisioning), the nonrecurring cost of establishing a wireless enhanced 911 system, and rates associated with the local telephone companies' charges related to the operation of the wireless enhanced 911 system.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2004-2005 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

(E) **Reconciliation of Government-wide and Fund Financial Statements**

- (1) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$33,303,208) consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 35,937,045
Less Accumulated Depreciation	<u>(11,994,295)</u>
Net capital assets	23,942,750
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	174,488
Net revenue of the internal service fund is reported with governmental activities.	316,908
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	2,491,806
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases, and installment financing	(57,140,178)
Due to business-type activities	(1,725,000)
Compensated absences and pension	(997,134)
Accrued interest payable	<u>(366,848)</u>
Total adjustment	<u><u>\$ (33,303,208)</u></u>

- (2) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$9,662,947 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets	\$ 6,240,893
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(1,576,189)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(767,335)
Net effect of donated capital assets on net assets	576,092
Internal service funds are used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets	316,908
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	4,308,354
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	82,737
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(25,320)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	357

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

Reversal of deferred interest revenue recorded at July 1, 2003	(83,000)
Recording of interest revenue deferred in fund statements at June 30, 2004	174,488
Reversal of deferred tax revenue recorded at July 1, 2003	(1,675,832)
Recording of tax receipts deferred in the fund statements as of June 30, 2004	1,784,141
Reversal of other deferred revenue recorded at July 1, 2003	(401,010)
Recording of other revenues deferred in fund statements at June 30, 2004	<u>707,668</u>
Total adjustment	<u>\$ 9,662,952</u>

Note 2 - Assets

(A) Deposits

All of the County and Transit Administration's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County and Transit Administration's agents in those units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and Transit Administration, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, Transit Administration, or the escrow agent. Because of the inability to measure, the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2004, the County's deposits had a carrying amount of \$5,919,957 (including \$579,365 in restricted escrow accounts) and a bank balance of \$6,074,300. Of the bank balance, \$342,580 was covered by federal depository insurance, and \$5,731,721 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2004 of \$1,490.

The Transit Administration's deposits had a carrying amount and bank balance of \$69,848, all of which was covered by federal depository insurance.

(B) Investments

The County's investments are categorized to give an indication of the level of custodial risk assumed at year-end. In the following tables, Column A includes investments that are insured or registered or for which the securities are held by the County or their agent in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. All of the County's investment securities are insured or registered or held by the County, or their agents in the County's name. The County's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County does not own any identifiable securities in these mutual funds. The County's investments as of June 30, 2004 are as follows:

	Categories			Reported Value	Fair Value
	A	B	C		
U.S. Government Agencies	\$ 125,985	\$ —	\$ —	\$ 125,985	\$ 125,985
North Carolina Capital Management Trust Cash Portfolio					
Unrestricted				14,185,833	14,185,833
Restricted				3,317,429	3,317,429
Total Investments				<u>\$17,629,247</u>	<u>\$17,629,247</u>

Such investments are included in "Cash and Cash Equivalents" in these financial statements.

(C) Property Tax-Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2001	\$ 268,576	\$ 77,887	\$ 346,463
2002	411,244	82,249	493,493
2003	431,490	47,464	478,954
2004	448,564	—	448,564
Total	<u>\$ 1,559,874</u>	<u>\$ 207,600</u>	<u>\$ 1,767,474</u>

(D) Receivables

	Accounts	Taxes and Related Accrued Interest	Special Assessments	Due from Other Governments	Other	Total
Governmental Activities:						
General	\$ 1,747,232	\$ 2,212,675	\$ —	\$ 3,429,609	\$ —	\$ 7,389,516
Other Governmental	125,545	127,467	—	464,207	—	712,219
Total receivables	1,872,777	2,340,142	—	3,893,816	—	8,106,735
Allowance for doubtful accounts	1,023,646	556,000	—	—	—	1,579,646
Total-governmental activities	<u>\$ 849,131</u>	<u>\$ 1,784,142</u>	<u>\$ —</u>	<u>\$ 3,893,816</u>	<u>\$ —</u>	<u>\$ 6,527,089</u>

Business-type Activities							
Solid waste	\$ 436,270	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 436,270
Total receivables	436,270	—	—	—	—	—	437,270
Allowance for doubtful accounts	27,000	—	—	—	—	—	27,000
Total - business-type activities	<u>\$ 409,270</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 409,270</u>
The due from other governments that is owed to the County consists of the following:							
Local option sales tax							\$ 3,120,755
Other							<u>773,061</u>
Total							<u>\$ 3,893,816</u>

(E) Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

Primary Government

	Beginning <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 851,629	\$ 672,495	\$ -	\$ 1,524,124
Construction in progress	2,050,372	3,437,662	-	<u>5,488,034</u>
Total capital assets not being depreciated	<u>2,902,001</u>	<u>4,110,157</u>	<u>-</u>	<u>7,012,158</u>
Capital assets being depreciated:				
Buildings	19,574,713	2,090,741	-	21,665,454
Other improvements	486,697	-	-	486,697
Equipment	2,785,191	123,967	41,669	2,867,489
Vehicles	3,425,127	492,129	12,009	<u>3,905,247</u>
Total capital assets being depreciated	<u>26,271,728</u>	<u>2,706,837</u>	<u>53,678</u>	<u>28,924,887</u>
Less accumulated depreciation for:				
Buildings	5,436,970	861,434	-	6,298,404
Other improvements	388,704	18,301	-	407,005
Equipment	2,196,550	218,972	41,669	2,373,853
Vehicles	2,449,560	477,482	12,009	<u>2,915,033</u>
Total accumulated depreciation	<u>10,471,784</u>	<u>1,576,189</u>	<u>53,678</u>	<u>11,994,295</u>
Total capital assets being depreciated, net	<u>15,799,944</u>			<u>16,930,592</u>
Governmental activities capital assets, net	<u>\$ 18,701,945</u>			<u>\$ 23,942,750</u>

Business-type activities:

Solid Waste Disposal

Capital assets not being depreciated:

Land	\$	568,159	73,102	-	\$	641,261
Total capital assets not being depreciated		568,159	73,102	-		641,261

Capital assets being depreciated:

Buildings and improvements	2,622,776	-	-	2,622,776
Equipment	1,829,596	-	429,342	1,400,254
Vehicles	433,613	-	14,700	418,913
Total capital assets being depreciated	4,885,985	-	444,042	4,441,943

Less accumulated depreciation for:

Buildings and improvements	1,002,446	148,970	-	1,151,416
Equipment	1,325,324	87,414	426,876	985,862
Vehicles	306,976	31,209	14,700	323,485
Total accumulated depreciation	2,634,746	267,593	441,576	2,460,763
Total capital assets being depreciated, net	2,251,239			1,981,180
d Waste Disposal capital assets, net	\$ 2,819,398			\$ 2,622,441

Depreciation Expense:

Governmental activities:

General Government	\$	247,924
Public Safety		1,004,875
Economic and physical development		51,267
Human services		216,185
Cultural and recreational		45,921
Education		10,017
Total depreciation expense	\$	1,576,189

Business-type activities:

Solid Waste Disposal	\$	267,593
	\$	267,593

Discretely presented component units

Airport

Capital assets not being depreciated:

Land	\$	423,979	-	-	\$	423,979
Total capital assets not being depreciated		423,979	-	-		423,979

Capital assets being depreciated:

Buildings and improvements		2,425,568	30,000	-		2,455,568
Equipment		84,493	-	-		84,493
Total capital assets being depreciated		2,510,061	30,000	-		2,540,061

Less accumulated depreciation for:

Buildings and improvements		582,568	86,589	-		669,157
Equipment		84,493	-	-		84,493
Total accumulated depreciation		667,061	86,589	-		753,650

Total capital assets being depreciated, net		1,843,000				1,786,411
Rutherford County Regional Airport capital assets, net	\$	2,266,979			\$	2,210,390

Transit

Capital assets being depreciated:

Equipment	\$	17,167	\$	-	\$	-	\$	17,167
Vehicles		786,415		101,384		-		887,799
Total capital assets being depreciated		803,582		101,384		-		904,966

Less accumulated depreciation for:

Equipment		14,831		849		-		15,680
Vehicles		504,938		108,558		-		613,496
Total accumulated depreciation		519,769		109,407		-		629,176

Total capital assets being depreciated, net		283,813						275,790
Rutherford County Transit Administration capital assets, net	\$	283,813					\$	275,790

Note 3 - Liabilities**(A) Payables**

Payables at the government-wide level at June 30, 2004, were as follows:

	Vendors	Salaries and Accrued Benefits	Interest	Total
Governmental Activities				
General	\$ 750,124	\$ 851	\$ 366,848	\$ 1,117,823
Other Governmental	71,166	—	—	71,166
Total-governmental activities	\$ 821,290	\$ 851	\$ 366,848	\$ 1,188,989
Business-type Activities				
Solid waste	\$ 202,425	\$ 28,528	\$ —	\$ 230,953
Total - business-type activities	\$ 202,425	\$ 28,528	\$ —	\$ 230,953

(B) Pension Plan Obligations**North Carolina Local Governmental Employees' Retirement System**

Plan Description: The County and component units contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The County, Rutherford County Transit Administration, and Economic Development Commission are required to contribute at an actuarially determined rate. For County employees not engaged in law enforcement, Rutherford County Transit Administration employees, and Economic Development Commission employees, the current rate is 4.93% of annual covered payroll. For County law enforcement officers the current rate is 4.78% of annual covered payroll. The contribution requirements of members and of the County, Rutherford County Transit Administration, and Economic Development Commission are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$1,102,837, \$1,080,591, and \$1,090,754, respectively. The Rutherford County Transit Administration's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$15,647, \$15,301 and \$14,852, respectively. The Economic Development Commission's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$14,682, \$14,124, and \$11,183, respectively. The contributions made by the County, Rutherford County Transit Administration, and Economic Development Commission equaled the required contributions for the year.

Law Enforcement Officers Special Separation Allowance

Plan Description: The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the

officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. There are no separately reported pension trust fund financial statements as it is being funded by a pay-as-you-go basis and no assets have been accumulated.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Active plan members	<u>59</u>
Total	<u>63</u>

Summary of Significant Accounting Policies:

- a. *Basis of Accounting:* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.
- b. *Method Used to Value Investments:* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions: the County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2003 was 27 years.

Annual Pension Cost and Net Pension Obligation: The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 64,443
Interest on net pension obligation	16,774
Adjustment to annual required contribution	<u>(12,693)</u>
Annual pension cost	68,524
Contributions made	<u>43,204</u>
Increase in net pension obligation	25,320
Net pension obligation beginning of year	<u>231,359</u>
Net pension obligation end of year	<u>\$ 256,679</u>

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 68,524	63.05%	\$ 256,679
6/30/03	65,728	40.31%	231,259
6/30/02	61,963	38.12%	192,128

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: the County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy: Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2004 were \$129,321, which consisted of \$105,131 from the County and \$24,190 from the law enforcement officers.

Supplemental Retirement Income Plan for General Employees

Plan Description: The County, Rutherford County Transit Administration, and Economic Development Commission voluntarily contribute to the Supplemental Retirement Income Plan for all full-time non-law enforcement employees.

Funding Policy: The County, Rutherford County Transit Administration, and Economic Development Commission contribute each month an amount equal to 4% of each full-time non-law enforcement employee's salary. Employee contributions are voluntary. An additional amount equal to one percent of an employee's salary is contributed by the County, Rutherford County Transit Administration, and Economic Development Commission each month for those employees who have chosen to contribute at least one percent themselves. All amounts are vested immediately. Contributions for the fiscal year ended June 30, 2004 were \$523,469, which consisted of \$385,264 from the County and \$138,205 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2004 were \$8,670, which consisted of \$7,002 from the Rutherford County Transit Administration and \$1,668 from the employees. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2004 were \$8,163, which consisted of \$6,716 from the Economic Development Commission and \$1,447 from the employees.

Postemployment Benefits

In addition to providing pension benefits, the County has elected to provide postretirement health benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits. Currently, 47 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2004, the County made payments for postretirement health benefit premiums of \$181,105. The County is not obligated by statutory, contractual or other authority to make contributions for postemployment benefits.

The County has elected to provide post-retirement dental benefits to retirees of the County through the age of 65 who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits. For the fiscal year ended June 30, 2004, the County made payments for post-retirement dental benefit premiums of \$6,092.

The County, Rutherford County Transit Administration, and Economic Development Commission, have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County, Rutherford County Transit Administration, and Economic Development Commission, have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, Rutherford County Transit Administration, nor Economic Development Commission, the County, Rutherford County Transit Administration, and Economic Development Commission, do not determine the number of eligible participants. For the fiscal year ended June 30, 2004, the County made contributions to the State for death benefits of \$13,365. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .13% and .14% of covered payroll, respectively. For the fiscal year ended June 30, 2004, the Rutherford County Transit Administration, and Economic Development Commission made required contributions of \$186 and \$175, respectively representing .13% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Registers of Deeds' Supplemental Pension Fund

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), which is a non-contributory defined contribution plan. As established by the North Carolina General Assembly (Article 3 of G.S. 161), effective October 1, 1987, this plan covers any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan.

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety percent (90%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining ten percent (10%) of the Fund's assets may be used by the State Treasurer in administering the Fund.

Any county Register of Deeds who has retired with at least 10 years eligible service as register of deeds under the LGERS or an equivalent locally sponsored plan before June 30, 1988, and those who retire thereafter who have completed at least 10 years of eligible service as register of deeds are entitled to receive a monthly pension payment under this plan.

An eligible retired Register of Deeds is entitled to receive an annual pension benefit, payable in equal monthly installments, equal to one share for each full year of eligible service as register of deeds multiplied by his/her total number of years of eligible service. The amount of each share shall be determined by dividing the total number of years of eligible service for all eligible retired registers of deeds on December 31 of each calendar year into the amount to be disbursed. Benefits received under this plan may not exceed the lessor of 1) \$1,000 per month, or 2) an amount which, when added to benefits received under the LGERS or an equivalent plan and any benefits received from employer contributions to the Supplemental Retirement Income Plan, would exceed 75% of the recipient's equivalent annual salary immediately preceding retirement computed on a monthly base rate.

Monthly pensions payable under this plan cease at the death of the pensioner and no payment is made to any beneficiaries or to the descendant's estate. Monthly pensions also cease if a pensioner becomes a full-time employee that participates in the LGERS.

For the year ended June 30, 2004, the County's required and actual contributions were \$20,931.

Deferred Compensation Plans

The County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by Equitable Assurance Company and Public Employees Benefit Service Corporation (PEBSCO). The plans, available to all County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the County's Deferred Compensation Plan is no longer reported within the County's Agency Funds.

(B) Deferred / Unearned Revenues

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ —	\$ 229,867
Prepaid taxes not yet earned (Special Revenue)	—	12,758
Taxes receivable, net (General)	1,656,675	—
Taxes receivable, net (Special Revenue)	127,467	—
Other receivable, (General)	707,665	—
	<u>\$ 2,491,807</u>	<u>\$ 242,625</u>

(C) Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$250 million for any one occurrence, general, auto, and professional liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and worker's compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation.

The County also participates in a pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees. Effective July 1, 2003, this benefit plan transitioned from being fully insured to being

self-insured. To account for the activities of the self-funded plan, the County established an Internal Service Fund. All three entities contribute to the pool on the same basis. The insurance program operates as one pooled group with one pooled fund. The employees of each agency share the common benefits and the common obligations of the program.

Participants in the fully insured plan include all full-time agency employees, all retired employees with more than twenty years of service, all disabled retired employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). As of June 30, 2004, the program had 495 active participants. The plan provides medical coverage up to a lifetime maximum of \$2,000,000 per employee. Dental coverage is provided up to a maximum of \$1,500 per employee per year other than orthodontics, which is a lifetime maximum of \$2,000 per eligible employee. The Insurance Plan Administrators for the fiscal year ended June 30, 2004 were Kanawha Healthcare Solutions for medical and American General for dental.

The accrued self-insurance claims liability as of June 30, 2004 was \$70,460 and represents estimated claim liabilities, including incurred but not reported losses, based on the ultimate cost of settling the claims. It includes the effect of inflation and other societal and economic factors using historical experience, current enrollment and the benefit plan. Changes in the Fund's claim liability amount for the past year is as follows:

<u>Fiscal Year Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year End</u>
2004	\$ —	\$ 1,999,892	\$ 1,929,432	\$ 70,460

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Rutherford Polk Mental Health Authority will dissolve in 2004 or early 2005 following completion of the Authority's audit and Western Highlands LME will serve as the local management entity to coordinate services in the area. An actuarial study was performed in October, 2003 that determined the actuarially-determined value of the promised benefits to retirees were \$965,000. Following discussion with the Rutherford County Commissioners and Rutherford Polk Mental Health Authority, the boards agreed that \$1,061,500 would be sent to the County from the existing Rutherford Polk Mental Health Authority to be held in trust to pay retiree healthcare benefits. In December 2003, the trust fund was established to continue health insurance for twelve mental health retirees as defined by the agreement.

(D) **Claims and Judgments**

The County was a defendant to various lawsuits as of June 30, 2004 including one in which a major taxpayer is requesting property tax refunds for the last eight years and various others involving employment matters. The County believes that the claims are without substantial merit and is aggressively defending itself against all allegations. The ultimate outcome of the litigation cannot be presently determined and no provision for any liability has been made in the financial statements.

Note 4 - Long-Term Debt

The County has entered into agreements to lease certain vehicles, buildings, equipment and furniture. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of assets recorded under capital leases as of June 30:

Buildings	\$ 9,220,810
Vehicles	2,959,943
Equipment	802,670
Furniture	<u>14,494</u>
	<u>\$12,997,917</u>

The following leases are included in Long-Term Debt:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2004</u>
<u>Capital Leases -</u>				
<u>Governmental Activities</u>				
<u>Serviced by the General Fund:</u>				
Equipment and vehicle lease purchase agreement, monthly payments of \$16,048, including interest at 4.85% through January 2004	\$ 110,542	\$ —	\$ 110,542	\$ —
Equipment lease purchase agreement, monthly payments of \$11,357, including interest at 3.82%, through December 2003	56,245	—	56,245	—
Equipment lease purchase agreement, monthly payments of \$12,339, including interest at 4.81%, through December 2004	213,859	—	140,855	73,004
Vehicle lease purchase agreement, monthly payments of \$1,733, including interest at 4.49%, through July 2006	59,789	—	18,493	41,296
Equipment and vehicle lease purchase agreement, monthly payments of \$4,810, including interest at 3.30%, through December 2004	84,352	—	55,770	28,582

Vehicle lease purchase agreement, monthly payments of \$16,747, including interest at 2.88%, through January 2006	499,725	—	189,049	310,676
Vehicle lease purchase agreement, monthly payments of \$21,972, including interest at 1.98% through January 2007	—	767,335	103,870	663,465
<u>Serviced by E 911 Funds</u>				
Equipment lease purchase agreement, monthly payments of \$4,394, including interest at 3.9% through November 2007	213,616	—	45,201	168,415
<u>Serviced by the Debt Service Fund:</u>				
Public facilities lease purchase agreement, monthly payments of \$4,441, including interest at 4.97%, through May 2006	144,421	—	47,181	97,240
Public facilities project lease purchase agreement, interest at 4.74% through July 2016	3,312,500	—	200,000	3,112,500
Public facilities project certificates of participation interest at 1.5% due semiannually to 2023.	29,590,000	—	635,000	28,955,000
Public facilities project certificates of participation, interest at 2% to 5% due semiannually to 2023.	7,740,000	—	100,000	7,640,000
Economic Incentive Loan from the Department of Commerce, interest at 0%, payments are annually through July 2007.	100,000	—	100,000	—
Total capital leases	<u>\$42,125,049</u>	<u>\$ 767,335</u>	<u>\$ 1,802,206</u>	<u>\$41,090,178</u>

The County has also entered into similar agreements to lease certain buildings and equipment for the Solid Waste Collection Centers. These leases which are accounted for in the Solid Waste Fund are as follows:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
Capital Leases –				
Solid Waste Enterprise Fund:				
Equipment and building lease purchase agreement, semiannual payment of \$72,866, including interest at 5.25%, through October 2011	\$ 988,986	\$ –	\$ 95,042	\$ 893,944
Total capital leases	\$ 988,986	\$ –	\$ 95,042	\$ 893,944

The general obligation bonds are issued to finance the construction of County facilities. All bonds are collateralized by the faith, credit and taxing power of the County. These bonds are being serviced by the Debt Service Fund.

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
General Obligation Bonds				
Refunding bonds, 2004A \$1,480,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023.	\$ 1,480,000	\$ –	\$ 25,000	\$ 1,455,000
Refunding bonds, 2004B, \$16,946,000 issue interest at 3.0% to 4.5%, payable semiannually, due serially 2011.	16,940,000	–	2,345,000	14,595,000
Total general obligation bonds	\$18,420,000	\$ –	\$ 2,370,000	\$16,050,000

A summary of changes in the County's long-term obligations follows:

	Long-Term Debt July 1, 2003	Additions	Retirements	Long-Term Debt June 30, 2004	Current Portion of Balance
Governmental activities:					
By type of debt:					
General obligation bonds	\$ 18,420,000	\$	\$ 2,370,000	\$16,050,000	\$ 2,285,000
Capital leases	42,125,049	767,335	1,802,206	41,090,178	1,977,388
Pension liability	231,359	25,320	–	256,679	–
Vacation pay	740,812	637,733	638,092	740,453	740,453
Total	\$ 61,517,220	\$ 1,430,388	\$ 4,810,298	\$58,137,310	\$ 5,002,841
By Purpose:					
School	\$ 46,215,000	\$	\$ 2,710,000	\$43,505,000	
General government -equipment	1,238,128	767,335	720,025	1,285,438	
General government- public facilities	13,091,921	–	742,181	12,349,740	
Pension liability	231,359	25,320	–	256,679	
Vacation pay	740,812	637,733	638,092	740,453	
Total	\$ 61,517,220	\$ 1,430,388	\$ 4,810,298	\$58,137,310	

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Retirement</u>	<u>June 30, 2004</u>	<u>Current Portion</u>
Business-type activities					
Capital lease-equipment	\$ 955,986	\$ —	\$ 95,042	\$ 893,944	\$ 100,000
Accrued landfill postclosure costs	1,980,140	—	55,064	1,925,076	67,000
	<u>\$ 2,936,126</u>	<u>\$ —</u>	<u>\$ 150,106</u>	<u>\$ 2,819,020</u>	<u>\$ 167,000</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

The following table summarizes the annual requirements to amortize all long-term debt outstanding at June 30, 2004 (excluding vacation pay and pension obligation):

	<u>General Obligation Bonds</u>		<u>Capitalized Leases</u>		<u>Certificates of Participation</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities Long-Term Debt:								
2004/05	\$ 2,285,000	\$ 551,019	\$ 664,880	\$ 29,454	\$ 1,312,500	\$ 1,692,866	\$ 4,262,380	\$ 2,273,339
2005/06	2,275,000	448,644	490,720	12,550	1,715,000	1,656,913	4,480,720	2,118,106
2006/07	2,260,000	346,919	205,320	2,945	2,025,000	1,595,725	4,490,320	1,945,588
2007/08	2,180,000	289,619	21,758	213	2,140,000	1,525,125	4,341,758	1,814,957
2008/09	2,105,000	229,069	—	—	2,150,000	1,459,306	4,255,000	1,688,375
2009/14	4,240,000	380,606	—	—	10,955,000	6,062,699	15,195,000	6,443,305
2015	705,000	156,163	—	—	19,410,000	4,434,335	20,115,000	4,590,498
Total	<u>\$16,050,000</u>	<u>\$2,402,038</u>	<u>\$1,382,678</u>	<u>\$ 45,161</u>	<u>\$39,707,500</u>	<u>\$18,426,969</u>	<u>\$ 57,140,178</u>	<u>\$20,874,167</u>

Business Activities Debt:

	<u>Capitalized Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2004/05	\$ 100,000	\$ 45,635
2005/06	105,517	40,311
2006/07	111,029	34,704
2007/08	116,934	28,799
2008/09	123,154	22,579
2009/11	337,310	27,021
Total	<u>\$ 893,944</u>	<u>\$ 199,049</u>

At June 30, 2004, the County had a legal debt margin of approximately \$254,915,661.

2003 Refunding

On September 15, 2002, the County issued \$8,355,000 of Series 2002 Certificates of Participation to provide resources that were placed in an irrevocable trust for the purpose of paying the principal and interest on existing \$8,470,000 COPs issued in 1994. As a result, the refunded COPs are considered to be defeased and the liability has been removed from the statement of net assets.

On April 1, 2003, the County issued \$16,940,000 of Series 2004 General Obligation Refunding Bonds to provide resources that were placed in an irrevocable trust for the purpose of paying the principal and interest on existing \$16,945,000 General Obligation Bonds issued in 1993. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets.

The defeased debts were paid off by the trust during the year and there were no defeased debt outstanding at June 30, 2004.

Conduit Debt Obligations

Rutherford County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely

from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, there were four series of industrial revenue bonds outstanding, with issued amounts totaling \$18,000,000 and an aggregate principal amount payable of \$13,870,000.

Note 5 - Closure and Postclosure Care Costs - Rutherford County Central Landfill

Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. Therefore, Rutherford County closed the Rutherford County Central Landfill on December 31, 1997. State and federal laws and regulations require the County to place a final cover on this landfill upon its closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although the County has just recently started to incur closure and postclosure care costs, the County has been reporting a portion of these costs as an operating expense for the past several years based on landfill capacity consumed as of each balance sheet date. During the year ended June 30, 2004, the County expended \$32,829 of postclosure care costs. The \$1,925,076 accrual reported on the Statement of Net Assets is the present value of estimated postclosure care costs at June 30, 2004. Actual costs may vary due to inflation, changes in technology, or changes in regulations.

Changes in the post closure care cost liabilities follows:

Estimate, June 30, 2003	\$ 1,980,140
Retirement	(32,829)
Estimate revision	(22,235)
Estimate, June 30, 2004	<u>\$ 1,925,076</u>

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and postclosure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and postclosure care costs. Transfers of \$1,853,841 were made to the Solid Waste Reserve Fund during prior years. During the fiscal year ending June 30, 2003, these funds were loaned to General Fund for Economic Development. A former textile plant was purchased and then leased to Tracker Marine, a boat building company. The loan will be repaid over a fifteen year period at an interest rate of LIBOR plus 1.2%. If these funds are needed for landfill closure or postclosure costs, another form of financing will have to be put in place.

Note 6 - Interfund Balances and Activity

Due to/from other funds:

Due to/from other funds at June 30, 2004, consists of the following:

	Due from Governmental Activities	Due to Business-Type Activities
General Fund:		
Due to other funds	\$ 1,725,000	\$ —
Solid Waste Fund		
Due from other funds	—	1,725,000
	<u>\$ 1,725,000</u>	<u>\$ 1,725,000</u>

The General fund borrowed \$1,850,000 from the Solid Waste fund during the year ended June 30, 2003. Terms of repayment are \$125,000 annually plus interest at LIBOR. The transaction is recorded on the modified accrual basis in the General fund and full accrual basis in the Solid Waste fund. The resulting difference is reconciled to the full accrual basis in the Government-wide financial statements.

Transfers to/from other funds at June 30, 2004 consist of the following:

	Transfers	
	To	From
General Fund:		
Revaluation Fund	\$ 230,293	\$ —
School Capital Reserve Fund	4,023,272	350,380
Building Capital Reserve Fund	1,001,530	78,000
Register of Deeds Automation Fund	67,306	—
Debt Service	303,295	—
Grant Fund	44,556	—
Water & Sewer Project Fund	224,121	—
Solid Waste - Enterprise Fund	—	44,635
Total Transfers - General Fund	<u>\$ 5,894,373</u>	<u>\$ 473,015</u>
Special Revenue Funds:		
Building Capital Reserve Fund:		
General Fund	\$ 78,000	\$ 1,001,530
Debt Service	1,016,207	—
Grant Fund	16,667	—
Reappraisal Fund:		
E911 Fund	—	45,306
General Fund	—	230,293
School Capital Reserve Fund:		
General Fund	350,380	4,023,272
Debt Service	4,580,581	—
E911 Fund:		
Reappraisal Fund	45,306	—
Grant Fund:		
Building Capital Reserve Fund	—	16,667
Debt Service	25,000	—
General Fund	—	44,556
Register of Deeds Automation Fund:		
General	—	67,306
Fire District Fund:		
Debt Service	3,475	—
Water & Sewer Project Fund:		
General Fund	—	224,121
Total Transfers - Special Revenue Funds	<u>\$ 6,115,616</u>	<u>\$ 5,653,051</u>
Debt Service Fund:		
Building Capital Reserve	\$ —	\$ 1,016,207
School Capital Reserve	—	4,580,581
Fire District	—	3,475
Grant Fund	—	25,000
General Fund	—	303,295
Total Transfers - Debt Service Fund	<u>\$ —</u>	<u>\$ 5,928,558</u>
Enterprise Funds:		
General Fund	<u>\$ 44,635</u>	<u>\$ —</u>
Total Transfers - Enterprise Funds	<u>\$ 44,635</u>	<u>\$ —</u>
Total all transfers	<u>\$ 12,054,624</u>	<u>\$ 12,054,624</u>

Note 7 - Joint Ventures

The County, in conjunction with Polk County, participates in the Rutherford/Polk Mental Health District. Each Board of Commissioners of the counties appoints one of its own members to the mental health board. These commissioner-members then appoint the other thirteen members jointly with nine of these members being from Rutherford County and four of these members being from Polk County. Both commissioner-members must agree on the appointments for the appointments to occur. Within available resources, the County has an ongoing financial responsibility for the District because it is legally obligated to provide mental health services either directly or jointly with other counties. Neither of the participating counties has any equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2004. The County contributed \$111,168 to the District to fund operations during fiscal year June 30, 2004. Complete financial statements for the district may be obtained from the District's offices at 207 Koone Rd., Spindale, NC 28160.

Rutherford County, in conjunction with Polk County, participated in the Rutherford Polk Mental Health District. Following extensive study and debate, the 2001 North Carolina General Assembly passed the Mental Health System Reform Bill (House Bill 381) in 2001. The Plan seeks a reduction from the current number of 38 Area Programs to a target of 20 Local Management Entities or LME's. The Plan defines a minimum configuration of five (5) counties or a minimum population of 200,000 for the existence of a LME. As of January 1, 2004, Rutherford County joined with seven other counties (Polk, Henderson, Transylvania, Buncombe, Mitchell, Madison, and Yancey) which represented two other area authorities (Trend and Blue Ridge) to form Western Highlands LME. The Rutherford Polk Area Authority ceased to exist without employees as of June 30, 2004. However, the official dissolution of the area authority will occur on June 30, 2005. Each of the eight counties is represented by either the county manager, assistant county manager or county commissioner and one at large position that fit certain criteria as outlined in the Reform Bill. The Western Highlands Board also serves as the Board for Rutherford Polk, Trend and Blue Ridge Authorities. The audit for fiscal year 2003-2004 will be completed for the year ending June 30 and Rutherford Polk Mental Health Authority will for all practical purposes be a shell authority until the dissolution on June 30, 2005.

The County, in conjunction with Polk and McDowell Counties, participates in the Rutherford/Polk/McDowell Public Health District. Each Board of Commissioners of the counties appoints one of its own members to the public health board. These commissioner-members then appoint the other fifteen members jointly with six of these members being from Rutherford County, five being from McDowell County and four being from Polk County. All commissioner-members must agree on the appointments for the appointments to occur. The County contributes funds annually to fund operations of the District. None of the participating counties have any equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2004. The County contributed \$241,578 to the District to fund operations during fiscal year June 30, 2004. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

The County, in conjunction with the State of North Carolina and the Rutherford County Board of Education, participates in a joint venture to operate the Isothermal Community College. The County appoints four members of the fifteen-member Board of Trustees of the Community College. The Community College is included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$1,457,202 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2004. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2004. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.

Note 8 - Region C Council of Government (Jointly Governed Organization)

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$11,130 to the Council during the fiscal year ended June 30, 2004.

Note 9 - Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Note 10 - Additional Social Welfare Expenditures

The benefit payments listed below were issued directly from the State to recipients of the County and/or their service providers on its behalf. These amounts represent additional federal and state financial assistance to the residents of the County but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

Medicaid	\$ 61,431,485
Food stamps program	7,081,444
Temporary assistance to needy families	1,137,752
SC/SA domiciliary care	1,132,255
Energy assistance	181,460
Title IV-E adoption/foster care	<u>533,955</u>
	<u>\$ 71,498,351</u>

RUTHERFORD COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Proj Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending On Val Date (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/97	\$ -	\$ 196,955	\$ 196,955	\$ 0.00%	\$ 1,507,779	\$ 13.06%
12/31/98	-	222,079	222,079	0.00%	1,713,020	12.96%
12/31/99	-	285,944	285,944	0.00%	1,719,678	16.63%
12/31/00	-	466,434	466,434	0.00%	1,877,528	24.84%
12/31/01	-	493,420	493,420	0.00%	1,986,208	24.84%
12/31/02	-	502,384	502,384	0.00%	2,001,798	25.10%
12/31/03	-	627,648	627,648	0.00%	2,034,242	30.85%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
1997	\$ 23,281	\$ 12,226	52.51%
1998	25,386	9,025	35.55%
1999	32,718	5,547	16.95%
2000	37,521	10,133	27.01%
2001	45,550	13,541	29.73%
2002	58,912	23,620	40.09%
2003	62,120	26,497	42.65%
2004	68,524	43,204	63.05%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/03
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	5.9 - 9.8 % per year
*Includes inflation at	3.75%
Cost of living adjustments	None



RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL FUND COMPARATIVE BALANCE SHEETS June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 10,030,758	\$ 7,810,710
Receivables (net):		
Taxes	1,656,675	1,556,023
Governmental agencies	3,429,609	3,113,249
Accounts	723,586	410,801
Inventories	22,215	22,244
Prepaid items	46,534	13,919
	<u>15,909,377</u>	<u>12,926,946</u>
Total assets	<u>\$ 15,909,377</u>	<u>\$ 12,926,946</u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 602,854	\$ 301,408
Unearned revenues	229,867	240,919
Deferred revenues	2,364,340	1,957,033
	<u>3,197,061</u>	<u>2,499,360</u>
Total liabilities	<u>3,197,061</u>	<u>2,499,360</u>
 Fund Balances:		
Reserved:		
By State statute	3,453,527	3,123,040
For inventories and prepaid items	60,750	36,163
For court facilities	266,608	256,634
Unreserved:		
Designated for subsequent years' budget	1,057,635	205,731
Undesignated	7,873,796	6,806,018
	<u>12,712,316</u>	<u>10,427,586</u>
Total fund balances	<u>12,712,316</u>	<u>10,427,586</u>
 Total liabilities and fund balances	<u>\$ 15,909,377</u>	<u>\$ 12,926,946</u>

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2004
 (With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Ad valorem taxes:				
Current year	\$ 22,669,495	\$ 22,595,376	\$ (74,119)	\$ 22,998,418
Prior years	775,000	878,763	103,763	790,134
Penalties and interest	222,500	249,937	27,437	244,973
Total	23,666,995	23,724,076	57,081	24,033,525
Local option sales taxes	10,633,365	11,278,753	645,388	9,107,457
Restricted intergovernmental revenues:				
ABC net revenues	9,000	9,629	629	8,683
Court facilities	150,400	147,353	(3,047)	148,086
Federal and state grants	7,872,279	7,695,550	(176,729)	6,943,558
Total	8,031,679	7,852,532	(179,147)	7,100,327
Permits and fees:				
Building permits	317,850	288,084	(29,766)	366,933
Register of deeds	350,000	439,747	89,747	445,655
Marriage license	9,500	11,975	2,475	12,200
Revenue stamps	175,000	221,339	46,339	188,296
Cable franchise fees	—	44,440	44,440	73,368
Rental vehicle tax	8,000	7,263	(737)	6,364
Total	860,350	1,012,848	152,498	1,092,816
Sales and services:				
Rents, concessions and fees	108,580	94,639	(13,941)	85,097
Sheriff's fees	51,885	46,542	(5,343)	56,115
Senior Center meals	59,800	80,063	20,263	63,148
EMS fees	881,575	927,377	45,802	965,285
Court costs, fees and charges	82,300	100,985	18,685	97,235
Detention Center fees	543,732	1,046,668	502,936	748,772
Narcotics Task Force reimbursement	—	—	—	6,687
Tax collection fees	50,500	48,115	(2,385)	44,714
Animal shelter fees	31,930	42,250	10,320	23,650
Airport revenues	23,400	28,169	4,769	26,271
Total	1,833,702	2,414,808	581,106	2,116,974
Investment earnings	300,000	290,896	(9,104)	375,688
Miscellaneous	192,502	225,593	33,091	115,730
Sale of county property	30,000	3,049	(26,951)	1,158
Total revenues	45,548,593	46,802,555	1,253,962	43,943,675

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2004
 (With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Expenditures:				
General Government:				
Governing body	241,807	236,948	4,859	246,989
Manager	108,633	106,528	2,105	101,126
Board of Elections	198,181	124,752	73,429	176,540
Finance and purchasing	333,779	324,799	8,980	297,830
Information resources management	494,993	361,493	133,500	358,065
Tax listing	665,090	626,059	39,031	599,282
Tax collections	264,559	253,082	11,477	241,722
Legal	64,367	64,341	26	63,776
Register of Deeds	250,125	245,767	4,358	243,161
Personnel	149,172	142,579	6,593	95,067
Public buildings / recreation	1,353,855	1,171,958	181,897	1,015,550
County garage	92,028	87,740	4,288	93,673
Court facilities	146,317	137,380	8,937	134,495
Special allocations	448,613	429,563	19,050	280,827
Total general government	<u>4,811,519</u>	<u>4,312,989</u>	<u>498,530</u>	<u>3,948,103</u>
Public Safety:				
Sheriff's Department	3,336,879	3,326,397	10,482	3,094,780
Detention Center	1,652,914	1,652,859	55	1,579,980
Communications	591,120	588,681	2,439	535,477
Inspections	475,354	429,639	45,715	412,936
Coroner	53,100	53,100	—	36,575
Emergency Services	1,687,030	1,653,934	33,096	1,379,800
Special allocations	207,546	207,461	85	235,480
Animal control	228,974	222,702	6,272	192,401
Total public safety	<u>8,232,917</u>	<u>8,134,773</u>	<u>98,144</u>	<u>7,467,429</u>
Environmental Protection:				
Soil conservation	96,791	95,546	1,245	92,651
Watershed	15,550	14,947	603	8,162
Total environmental protection	<u>112,341</u>	<u>110,493</u>	<u>1,848</u>	<u>100,813</u>

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2004
(With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Economic and Physical Development:				
Agricultural extension	161,470	153,867	7,603	137,101
Farmers market	2,162	2,144	18	1,841
Forestry	57,493	37,237	20,256	38,525
Airport Authority	47,038	46,967	71	25,648
Economic Development Commission	1,188,143	915,502	272,641	472,109
Total economic and physical development	<u>1,456,306</u>	<u>1,155,717</u>	<u>300,589</u>	<u>675,224</u>
Human Services:				
District Health:				
Contribution to District Health	241,578	241,578	—	241,578
Contribution to Mental Health	111,168	111,168	—	111,168
Veterans Service Officers	53,135	52,459	676	51,009
Community based alternatives	218,437	217,987	450	164,748
Special appropriation	—	—	—	—
Social Services Administration	4,426,689	4,335,792	90,897	3,983,679
Social Services programs	9253,177	8,282,757	970,420	8,072,313
Senior Citizens Center	208,066	183,119	24,947	185,221
Meals program	338,276	329,157	9,119	309,377
Total human services	<u>14,850,526</u>	<u>13,754,017</u>	<u>1,096,509</u>	<u>13,119,093</u>
Cultural:				
Libraries	<u>413,447</u>	<u>398,368</u>	<u>15,079</u>	<u>361,562</u>
Total cultural	<u>413,447</u>	<u>398,368</u>	<u>15,079</u>	<u>361,562</u>
Education:				
Public schools:				
Current expenditures	9,504,147	9,504,147	—	9,182,751
Capital outlay	350,380	350,380	—	220,000
Community college	1,457,202	1,457,202	—	1,427,291
Total education	<u>11,311,729</u>	<u>11,311,729</u>	<u>—</u>	<u>10,830,042</u>

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2004
 (With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Debt Service:				
Principal retirement		656,333		685,815
Interest and fees		29,384		48,623
Total debt service	<u>700,389</u>	<u>685,717</u>	<u>14,672</u>	<u>734,438</u>
Total expenditures	<u>41,889,174</u>	<u>39,863,803</u>	<u>2,025,371</u>	<u>37,236,704</u>
Revenues over expenditures	<u>3,659,419</u>	<u>6,938,752</u>	<u>3,279,333</u>	<u>6,706,971</u>
Other Financing Sources (Uses):				
Transfers:				
From other funds	731,370	473,015	(258,355)	2,295,419
To other funds	(5,994,462)	(5,894,373)	100,089	(7,243,762)
Proceeds of lease purchase	767,446	767,336	(110)	576,905
Appropriated fund balance	<u>836,227</u>	<u>—</u>	<u>(836,227)</u>	<u>—</u>
Total other financing sources (uses)	<u>(3,659,419)</u>	<u>(4,654,022)</u>	<u>(994,603)</u>	<u>(4,366,438)</u>
Net change in fund balance	<u>\$ —</u>	<u>2,284,730</u>	<u>\$ 2,284,730</u>	2,340,533
Fund balances:				
Beginning of year		<u>10,427,586</u>		<u>8,087,053</u>
End of year		<u>\$ 12,712,316</u>		<u>\$ 10,427,586</u>



RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND – SCHOOLS

BALANCE SHEET

June 30, 2004

(With comparative totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 894,083	\$ 1,362,363
Cash and cash equivalents – restricted	3,317,429	19,998,870
Accounts receivable	<u>457,669</u>	<u>119,275</u>
Total assets	<u>\$ 4,669,181</u>	<u>\$ 21,480,508</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ <u>–</u>	\$ <u>524</u>
Fund Balances:		
Reserved by state statute	457,669	119,275
Unreserved:		
Designated for future capital outlay	<u>4,211,512</u>	<u>21,360,709</u>
Total fund balance	<u>4,669,181</u>	<u>21,479,984</u>
Total liabilities and fund balances	<u>\$ 4,669,181</u>	<u>\$ 21,480,508</u>

RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND - SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
From inception and for the year ended June 30, 2004

	<u>Actual</u>			
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>To Date</u>
Revenues:				
Restricted intergovernmental:				
Public School Building				
Bond Act of 1996	\$15,468,465	\$15,401,803	\$ 5,598	\$ 15,407,401
Other taxes and licenses	–	119,091	392,601	511,692
Investment earnings	2,298	179,844	97,047	276,891
Total revenues	<u>15,470,763</u>	<u>15,700,738</u>	<u>495,246</u>	<u>16,195,984</u>
Expenditures:				
Capital outlay:				
State Bond Project – Elementary Schools	20,375,718	19,623,035	5,598	19,628,633
Ellenboro Elementary	10,682,300	3,086,337	7,020,472	10,106,809
Chase Middle School Addition	1,684,650	1,181,394	490,546	1,671,940
Spindale Elementary	8,307,750	3,902,641	3,802,850	7,705,491
Forest City Elementary	463,991	255,223	205,811	461,034
Sunshine Elementary	7,793,615	256,362	5,558,402	5,814,764
RS middle	339,568	112,450	219,511	331,961
Debt issuance costs	480,182	480,182	2,859	483,041
Total expenditures	<u>50,127,774</u>	<u>28,897,624</u>	<u>17,306,049</u>	<u>46,203,673</u>
Revenues under expenditures	<u>(34,657,011)</u>	<u>(13,196,886)</u>	<u>(16,810,803)</u>	<u>(30,007,689)</u>
Other Financing Sources (Uses):				
Transfers:				
Special revenue funds	4,221,232	4,221,232	–	4,221,232
Proceeds from borrowing	30,435,779	30,455,638	–	30,455,638
Total Other Financial Sources (Uses)	<u>34,657,011</u>	<u>34,676,870</u>	<u>–</u>	<u>34,676,870</u>
Net change in fund balance	<u>\$ –</u>	<u>\$21,479,984</u>	<u>(16,810,803)</u>	<u>\$ 4,669,181</u>
Fund balance, beginning of year			<u>21,479,984</u>	
Fund balance, end of year			<u>\$ 4,669,181</u>	

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2004

	Debt Service Fund	Total Nonmajor Special Revenue	County Buildings Capital Projects Fund	June 30 2004
Assets				
Cash and cash equivalents	\$ 10,518	\$ 5,002,754	\$ 64,885	\$ 5,078,157
Cash and cash equivalents – restricted	–	–	579,365	579,365
Taxes receivable, net	–	127,467	–	127,467
Intergovernmental receivable	–	5,513	1,025	6,538
Other receivables	–	125,545	–	125,545
Total assets	<u>\$ 10,518</u>	<u>\$ 5,261,279</u>	<u>\$ 645,275</u>	<u>\$ 5,917,072</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ –	\$ 71,166	\$ –	\$ 71,166
Unearned revenues	–	12,758	–	12,758
Deferred revenue	–	127,467	–	127,467
Total liabilities	<u>–</u>	<u>211,391</u>	<u>–</u>	<u>211,391</u>
Fund Balances:				
Reserved for:				
State statute	–	84,766	1,025	85,791
Register of Deeds	–	159,381	–	159,381
Wireless 911	–	784,310	–	784,310
Unreserved:				
Designated for subsequent year's budget	–	1,940,119	–	1,940,119
Designated for subsequent year's future capital outlay	–	294,149	644,250	938,399
Undesignated	10,518	1,787,163	–	1,797,681
Total fund balances	<u>10,518</u>	<u>5,049,888</u>	<u>645,275</u>	<u>5,705,681</u>
Total liabilities and fund balances	<u>\$ 10,518</u>	<u>\$ 5,261,279</u>	<u>\$ 645,275</u>	<u>\$ 5,917,072</u>

RUTHERFORD COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the year ended June 30, 2004

	Debt Service Fund	Total Nonmajor Special Revenue	County Buildings Capital Projects Fund	June 30 2004
Revenues:				
Ad valorem taxes	\$ —	\$ 1,268,186	\$ —	\$ 1,268,186
Other taxes and licenses	—	251,735	—	251,735
Local option sales taxes	—	559,203	—	559,203
Restricted intergovernmental	—	857,934	952	858,886
Charges for services	53,293	510,419	—	563,712
Investment earnings	—	53,457	1,736	55,193
Total revenues	53,293	3,500,934	2,688	3,556,915
Expenditures:				
General government	—	487,684	—	487,684
Public safety	—	2,286,654	—	2,286,654
Environmental protection	—	8,346	—	8,346
Economic and physical development	—	946,098	—	946,098
Capital outlay	—	—	1,078,392	1,078,392
Debt service	5,971,333	54,390	—	6,025,723
Total expenditures	5,971,333	3,783,172	1,078,392	10,832,897
Revenues over (under) expenditures	(5,918,040)	(282,238)	(1,075,704)	(7,275,982)
Other Financing Sources (Uses):				
Transfers:				
To other funds	—	(6,115,616)	—	(6,115,616)
From other funds	5,928,558	5,653,051	—	11,581,609
Total other financing sources (uses)	5,928,558	(462,565)	—	5,465,993
Net change in fund balance	10,518	(744,803)	(1,075,704)	(1,809,989)
Fund balance, beginning of year	—	5,794,691	1,720,979	7,515,670
Fund balance, end of year	\$ 10,518	\$ 5,049,888	\$ 645,275	\$ 5,705,681

RUTHERFORD COUNTY, NORTH CAROLINA

**DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 10,518	\$ —
Total assets	<u>\$ 10,518</u>	<u>\$ —</u>
 Liabilities and Fund Balances		
Liabilities:	\$ —	\$ —
 Fund Balances:		
Unreserved:		
Designated for debt service	<u>10,518</u>	—
Total fund balances	<u>10,518</u>	—
Total liabilities and fund balances	<u>\$ 10,518</u>	<u>\$ —</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2004
(With comparative actual amounts for the year ended June 30, 2003)**

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Lease	\$ 53,293	\$ 53,293	\$ —	\$ 53,293
Investment earnings	—	—	—	55,889
Total revenues	<u>53,293</u>	<u>53,293</u>	—	<u>109,182</u>
Expenditures:				
Bond principal payments	3,522,181	3,522,181	—	2,382,398
Bond interest payments	2,433,772	2,446,494	(12,722)	2,427,129
Bond issuance costs	2,658	2,658	—	272,718
Total expenditures	<u>5,958,611</u>	<u>5,971,333</u>	<u>(12,722)</u>	<u>5,082,245</u>
Revenues over (under) expenditures	<u>(5,905,318)</u>	<u>(5,918,040)</u>	<u>(12,722)</u>	<u>(4,973,063)</u>
Other Financing Sources (Uses):				
Transfers in				
Building Capital Reserve fund	1,016,334	1,016,207	(127)	451,015
School Capital Reserve fund	4,557,214	4,580,581	23,367	3,552,386
General fund	303,295	303,295	—	18,304
Fire district fund	3,475	3,475	—	3,488
Grant fund	25,000	25,000	—	—
Proceeds from refunding COPS & Bonds	—	—	—	26,058,158
Bond escrow payments	—	—	—	(25,848,027)
Total other financing sources	<u>5,905,318</u>	<u>5,928,558</u>	<u>23,240</u>	<u>4,235,324</u>
Net change in fund balance	<u>\$ —</u>	<u>10,518</u>	<u>\$ 10,518</u>	<u>(737,739)</u>
Fund balance, beginning of year		<u>—</u>		<u>737,739</u>
Fund balance, end of year		<u><u>\$ 10,518</u></u>		<u><u>\$ —</u></u>



RUTHERFORD COUNTY, NORTH CAROLINA

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 2004

(With comparative totals for June 30, 2003)

	<u>Building Capital Reserve Fund</u>	<u>Reappraisal Fund</u>	<u>School Capital Reserve Fund</u>	<u>Enhanced 911 Fund</u>
Assets:				
Cash and cash equivalents	\$ 600,264	\$ 181,146	\$ 2,346,452	\$ 815,489
Taxes receivable, net	—	—	—	—
Intergovernmental receivable	—	315	—	695
Other receivables	—	—	—	42,155
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 600,264	\$ 181,461	\$ 2,346,452	\$ 858,339
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ —	\$ 6,950	\$ —	\$ 6,988
Unearned revenues	—	—	—	—
Deferred revenue	—	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	—	6,950	—	6,988
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:				
Reserved for:				
State Statute	—	315	—	42,850
Register of Deeds	—	—	—	—
Wireless 911	—	—	—	784,310
Unreserved:				
Designated for subsequent year's budget	306,115	21,859	749,318	24,191
Designated for future capital outlay	294,149	—	—	—
Undesignated	—	152,337	1,597,134	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	600,264	174,511	2,346,452	851,351
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 600,264	\$ 181,461	\$ 2,346,452	\$ 858,339
	<hr/>	<hr/>	<hr/>	<hr/>

Tourism Development Fund	Grant Fund	Grant CDBG Project Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Project Fund	Totals	
						2004	2003
\$ 2,293	\$ —	\$ 5,803	\$ 644,559	\$ 159,381	\$ 247,367	\$ 5,002,754	\$ 5,776,341
—	—	—	127,467	—	—	127,467	119,809
1,479	2,442	—	582	—	—	5,513	38,812
203	67,301	15,886	—	—	—	125,545	45,654
\$ 3,975	\$ 69,743	\$ 21,689	\$ 772,608	\$ 159,381	\$ 247,367	\$ 5,261,279	5,980,616
\$ 1,936	46,292	4,829	4,171	—	—	71,166	51,216
—	—	—	12,758	—	—	12,758	14,900
—	—	—	127,467	—	—	127,467	119,809
1,936	46,292	4,829	144,396	—	—	211,391	185,925
1,682	23,451	15,886	582	—	—	84,766	84,466
—	—	—	—	159,381	—	159,381	92,075
						784,310	674,030
—	—	—	595,769	—	242,867	1,940,119	1,513,186
—	—	—	—	—	—	294,149	315,978
357	—	974	31,861	—	4,500	1,787,163	3,114,956
2,039	23,451	16,860	628,212	159,381	247,367	5,049,888	5,794,691
\$ 3,975	\$ 69,743	\$ 21,689	\$ 772,608	\$ 159,381	\$ 247,367	\$ 5,261,279	\$ 5,980,616

RUTHERFORD COUNTY, NORTH CAROLINA

SPECIAL REVENUE FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended June 30, 2004
(With comparative totals for June 30, 2003)

	<u>Building Capital Reserve Fund</u>	<u>Reappraisal Fund</u>	<u>School Capital Reserve Fund</u>	<u>Enhanced 911 Fund</u>
Revenues:				
Ad valorem taxes	\$ —	\$ —	\$ —	\$ —
Local option sales tax	—	—	—	—
Other taxes and licenses	—	—	—	—
Restricted intergovernmental	46,367	—	—	—
Charges for services	—	—	—	510,419
Investment earnings	—	—	53,137	—
Total revenues	<u>46,367</u>	<u>—</u>	<u>53,137</u>	<u>510,419</u>
Expenditures:				
General government	—	214,811	—	—
Public safety	—	—	—	300,204
Environmental protection	—	—	—	—
Economic and physical development	—	—	—	—
Debt service	—	—	9,190	45,200
Total expenditures	<u>—</u>	<u>214,811</u>	<u>9,190</u>	<u>345,404</u>
Revenues over (under) expenditures	<u>46,367</u>	<u>(214,811)</u>	<u>43,947</u>	<u>165,015</u>
Other Financing Sources (Uses):				
Transfers:				
To other funds	(1,110,874)	—	(4,930,961)	(45,306)
From other funds	1,001,530	275,599	4,023,272	—
Proceeds from capital leases	—	—	—	—
Total transfers	<u>(109,344)</u>	<u>275,599</u>	<u>(907,689)</u>	<u>(45,306)</u>
Net change in fund balance	(62,977)	60,788	(863,742)	119,709
Fund balance, beginning of year	<u>663,241</u>	<u>113,723</u>	<u>3,210,194</u>	<u>731,642</u>
Fund balance, end of year	<u>\$ 600,264</u>	<u>\$ 174,511</u>	<u>\$ 2,346,452</u>	<u>\$ 851,351</u>

Tourism Development Fund	Grant Fund	Grant CDBG Project Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Project Fund	Totals	
						2004	2003
\$ -	\$ -	\$ -	\$ 1,268,186	\$ -	\$ -	\$ 1,268,186	\$1,238,599
-	-	-	559,203	-	-	559,203	425,196
251,735	-	-	-	-	-	251,735	260,715
-	629,311	182,256	-	-	-	857,934	1,489,373
-	-	-	-	-	-	510,419	517,260
320	-	-	-	-	-	53,457	42,297
252,055	629,311	182,256	1,827,389	-	-	3,500,934	3,973,440
272,873	-	-	-	-	-	487,684	612,217
-	200,947	-	1,785,503	-	-	2,286,654	2,384,746
-	-	-	8,346	-	-	8,346	-
-	611,498	191,834	-	-	142,766	946,098	379,816
-	-	-	-	-	-	54,390	30,759
272,873	812,445	191,834	1,793,849	-	142,766	3,783,172	3,407,538
(20,818)	(183,134)	(9,578)	33,540	-	(142,766)	(282,238)	565,902
-	(25,000)	-	(3,475)	-	-	(6,115,616)	(4,671,301)
-	39,223	22,000	-	67,306	224,121	5,653,051	6,762,080
-	-	-	-	-	-	-	335,565
-	14,223	22,000	(3,475)	67,306	224,121	(462,565)	2,426,344
(20,818)	(168,911)	12,422	30,065	67,306	81,355	(744,803)	2,992,246
22,857	192,362	4,438	598,147	92,075	166,012	5,794,691	2,802,445
\$ 2,039	\$ 23,451	\$ 16,860	\$ 628,212	\$ 159,381	\$ 247,367	\$ 5,049,888	\$5,794,691

RUTHERFORD COUNTY, NORTH CAROLINA

BUILDING CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2004
(With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Restricted intergovernmental	\$ 46,367	\$ 46,367	\$ —	\$ 46,367
Investment earnings	4,000	—	(4,000)	2,128
Total revenues	<u>50,367</u>	<u>46,367</u>	(4,000)	<u>48,495</u>
Expenditures				
Industry match	<u>51,500</u>	—	51,500	—
Revenues over expenditures	<u>(1,133)</u>	<u>46,367</u>	47,500	<u>48,495</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund (sales tax)	1,026,701	1,001,530	(25,171)	987,609
General fund (college)	(78,000)	(78,000)	—	(98,000)
General fund (building projects)	(258,355)	—	258,355	(97,417)
Debt service fund	(1,019,809)	(1,016,207)	3,602	(16,667)
Capital Projects fund (COPS)	—	—	—	(451,015)
Grant fund	(16,667)	(16,667)	—	—
Appropriated fund balance	<u>347,263</u>	—	(347,263)	—
Total other financing sources (uses)	<u>1,133</u>	<u>(109,344)</u>	(110,477)	<u>324,510</u>
Net change in fund balance	<u>\$ —</u>	<u>(62,977)</u>	<u>\$ (62,977)</u>	373,005
Fund balance, beginning of year		<u>663,241</u>		<u>290,236</u>
Fund balance, end of year		<u>\$ 600,264</u>		<u>\$ 663,241</u>

RUTHERFORD COUNTY, NORTH CAROLINA

REAPPRAISAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2004
(With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:	\$ —	\$ —	\$ —	\$ —
Expenditures:				
General government:				
Reappraisal	250,460	192,190	58,270	338,324
Mapping	45,306	22,621	22,685	13,271
	<u>295,766</u>	<u>214,811</u>	80,955	<u>351,595</u>
Revenues over (under) expenditures	<u>(295,766)</u>	<u>(214,811)</u>	80,955	<u>(351,595)</u>
Other Financing Sources:				
Transfers in:				
Special revenue fund - Revaluation	20,167	—	(20,167)	199,746
General fund	230,293	230,293	—	—
Special revenue fund – 911	45,306	45,306	—	—
	<u>295,766</u>	<u>275,599</u>	(20,167)	<u>199,746</u>
Net change in fund balance	<u>\$ —</u>	<u>60,788</u>	<u>\$ 60,788</u>	(151,849)
Fund balance, beginning of year		<u>113,723</u>		<u>265,572</u>
Fund balance, end of year		<u>\$ 174,511</u>		<u>\$ 113,723</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHOOL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2004
(With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Restricted intergovernmental – State ADM	\$ –	\$ –	\$ –	\$ 889,396
Investment earnings	60,000	53,137	(6,863)	39,348
Total revenues	60,000	53,137	(6,863)	928,744
Expenditures:				
Bond issuance costs	–	9,190	(9,190)	–
Revenues over (under) expenditures	60,000	43,947	(16,053)	928,744
Other Financing Sources (Uses):				
Transfers in (out):				
General fund (sales tax)	4,129,471	4,023,272	(106,199)	3,973,259
Capital projects fund	–	–	–	1,170,211
Debt service fund	(3,597,797)	(3,488,206)	109,591	(3,165,605)
Debt service fund (COPS)	(1,092,375)	(1,092,375)	–	(386,781)
General fund	(350,380)	(350,380)	–	(220,000)
Capital Projects fund	–	–	–	(32,582)
Fund balance appropriated	851,081	–	(851,081)	–
Total other financing sources (uses)	(60,000)	(907,689)	(847,689)	1,338,502
Net change in fund balance	\$ –	(863,742)	\$ (863,742)	2,267,246
Fund balance, beginning of year		<u>3,210,194</u>		<u>942,948</u>
Fund balance, end of year		<u>\$ 2,346,452</u>		<u>\$ 3,210,194</u>

RUTHERFORD COUNTY, NORTH CAROLINA

ENHANCED 911 FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the year ended June 30, 2004 (With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Charges for services:				
Landline	\$ 402,000	\$ 388,086	\$ (13,914)	\$ 402,000
Wireless	112,000	120,144	8,144	112,690
Private road signs	2,000	2,189	189	2,570
Total revenues	516,000	510,419	(5,581)	517,260
Expenditures:				
Public safety:				
Landlines	328,742	236,032	92,710	374,248
Wireless	89,223	56,643	32,580	176,240
Debt service	52,729	52,729	—	30,759
Total expenditures	470,694	345,404	125,290	581,247
Revenues over (under) expenditures	45,306	165,015	119,709	(63,987)
Other financial sources (uses):				
Transfer to reappraisal fund	(45,306)	(45,306)	—	—
Proceeds of capital lease	—	—	—	235,565
Net change in fund balance	<u>\$ —</u>	<u>119,709</u>	<u>\$ 119,709</u>	171,578
Fund balance, beginning of year		<u>731,642</u>		<u>560,064</u>
Fund balance, end of year		<u>\$ 851,351</u>		<u>\$ 731,642</u>

RUTHERFORD COUNTY, NORTH CAROLINA

TOURISM DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the year ended June 30, 2004
 (With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Other taxes and licenses	\$ 272,200	\$ 251,735	\$ (25,465)	\$ 260,712
Investment earnings	2,800	320	(2,480)	821
Total revenues	<u>280,000</u>	<u>252,055</u>	(27,945)	<u>261,533</u>
Expenditures:				
General government	<u>280,000</u>	<u>272,873</u>	7,173	<u>260,622</u>
Net change in fund balance	<u>\$ —</u>	<u>(20,818)</u>	<u>\$ (20,818)</u>	911
Fund balance, beginning of year		<u>22,857</u>		<u>21,946</u>
Fund balance, end of year		<u>\$ 2,039</u>		<u>\$ 22,857</u>

RUTHERFORD COUNTY, NORTH CAROLINA

GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2004
(With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Restricted intergovernmental	\$ 1,530,005	\$ 500,291	\$ (1,029,714)	\$ 167,223
Private grants	179,562	129,020	(50,542)	308,239
Total revenues	<u>1,709,567</u>	<u>629,311</u>	<u>(1,080,256)</u>	<u>475,462</u>
Expenditures:				
Public safety	560,325	200,947	359,378	268,734
Economic and physical development	1,385,017	611,498	773,519	281,509
	<u>1,945,342</u>	<u>812,445</u>	<u>1,132,897</u>	<u>550,243</u>
Revenues (under) over expenditures	<u>(235,775)</u>	<u>(183,134)</u>	52,641	<u>(74,781)</u>
Other Financing Sources:				
Transfers in (out):				
General fund	22,556	22,556	-	-
Building Capital Reserve Fund	16,667	16,667	-	16,667
Grant fund	(25,000)	(25,000)	-	-
Proceeds from State loan	-	-	-	100,000
Fund balance appropriated	221,552	-	(221,552)	-
	<u>235,775</u>	<u>14,223</u>	<u>(221,552)</u>	<u>116,667</u>
Net change in fund balance	\$ <u>-</u>	<u>(168,911)</u>	\$ <u>(168,911)</u>	41,886
Fund balance, beginning of year		<u>192,362</u>		<u>150,476</u>
Fund balance, end of year		\$ <u>23,451</u>		\$ <u>192,362</u>

RUTHERFORD COUNTY, NORTH CAROLINA

GRANT CDBG PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL From inception and for the year ended June 30, 2004

	<u>Authorization</u>	<u>Prior Years</u>	<u>Total Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Community Development Block Grants:				
Proctor School Road Project	\$ 95,242	\$ 84,207	\$ 14,535	\$ 98,742
Scattered site housing	400,000	—	130,774	130,774
Straight piping	200,000	—	36,947	36,947
Henrietta concentrated needs	600,000	—	—	—
Broad River Water Authority	20,000	20,000	—	20,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,315,242	104,207	182,256	286,463
Expenditures:				
Economic and physical development:				
Proctor School Road Project	118,742	99,769	18,973	118,742
Scattered site housing	400,000	—	133,937	133,937
Straight piping	200,000	—	38,924	38,924
Henrietta concentrated needs	640,500	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,359,242	99,769	191,834	291,603
Revenues over (under) expenditures	(44,000)	4,438	(9,578)	(5,140)
Other Financing Sources:				
Transfer from General Fund	44,000	—	22,000	22,000
Net change in fund balance	<u>\$ —</u>	<u>\$ 4,438</u>	12,422	<u>\$ 16,860</u>
Fund balance, beginning of year			<u>4,438</u>	
Fund balance, end of year			<u>\$ 16,860</u>	

RUTHERFORD COUNTY, NORTH CAROLINA

FIRE DISTRICTS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the year ended June 30, 2004 (With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Ad valorem taxes:				
Current year	\$ 1,215,735	\$ 1,194,650	\$ (21,085)	\$ 1,175,116
Prior years	46,550	58,312	11,762	49,870
Penalties and interest	—	15,224	15,224	13,613
	<u>1,262,285</u>	<u>1,268,186</u>	<u>5,901</u>	<u>1,238,599</u>
Other taxes and licenses:				
Local option sales tax	<u>540,053</u>	<u>559,203</u>	<u>19,150</u>	<u>425,199</u>
	<u>540,053</u>	<u>559,203</u>	<u>19,150</u>	<u>425,199</u>
 Total revenues	 <u>1,802,338</u>	 <u>1,827,389</u>	 <u>25,051</u>	 <u>1,663,798</u>
Expenditures:				
Public safety -				
Cliffside	130,922	123,102	7,820	113,431
Chimney Rock	35,599	35,599	—	32,476
Sandy Mush	121,099	117,970	3,129	95,686
Bills Creek	79,362	79,362	—	69,636
Shingle Hollow	95,919	95,919	—	79,053
Shiloh, Danielstown, and Oakland	211,381	211,381	—	183,063
Cherry Mountain	123,033	123,033	—	120,168
Hudlow	251,683	251,683	—	222,399
Rutherfordton	162,017	162,017	—	156,032
Ellenboro	214,094	214,094	—	177,737
Bostic	64,929	64,929	—	56,818
Union Mills	81,095	81,095	—	69,020
Green Hill	142,375	142,375	—	118,792
Contracted	604,164	77,245	526,919	55,929
Hollis Community	9,174	5,699	3,475	3,880
	<u>2,326,846</u>	<u>1,785,503</u>	<u>541,343</u>	<u>1,554,120</u>
Environmental protection:				
Cliffside Sanitary District	<u>9,992</u>	<u>8,346</u>	<u>1,646</u>	<u>10,121</u>
 Total expenditures	 <u>2,336,838</u>	 <u>1,793,849</u>	 <u>542,989</u>	 <u>1,564,241</u>
 Revenues over (under) expenditures	 <u>(534,500)</u>	 <u>33,540</u>	 <u>568,040</u>	 <u>99,557</u>
Other Financing Sources:				
Transfers:				
Debt service fund	—	(3,475)	(3,475)	(3,488)
Appropriated fund balance	<u>534,500</u>	<u>—</u>	<u>(534,500)</u>	<u>—</u>
	<u>534,500</u>	<u>(3,475)</u>	<u>(537,975)</u>	<u>(3,488)</u>
 Net change in fund balance	 <u>\$ —</u>	 <u>30,065</u>	 <u>\$ 30,065</u>	 <u>96,069</u>
 Fund balance, beginning of year		<u>598,147</u>		<u>502,078</u>
 Fund balance, end of year		<u>\$ 628,212</u>		<u>\$ 598,147</u>

RUTHERFORD COUNTY, NORTH CAROLINA

REGISTER OF DEEDS AUTOMATION ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the year ended June 30, 2004

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:	\$ —	\$ —	\$ —	\$ —
Expenditures:	299,353	—	299,353	1,283
Revenues over expenditures	299,353	—	299,353	1,283
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	53,450	67,306	13,856	64,615
Proceeds from capital lease	202,305	—	(202,305)	—
Appropriated fund balance	43,598	—	(43,598)	—
Total other financing sources (uses)	299,353	67,306	(232,047)	64,615
Net change in fund balance	<u>\$ —</u>	67,306	<u>\$ 67,306</u>	63,332
Fund balance, beginning of year		<u>92,075</u>		<u>28,743</u>
Fund balance, end of year		<u>\$ 159,381</u>		<u>\$ 92,075</u>

RUTHERFORD COUNTY, NORTH CAROLINA

WATER & SEWER PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL From inception and for the year ended June 30, 2004

	<u>Authorization</u>	<u>Prior Years</u>	<u>Total Current Year</u>	<u>Total to Date</u>
Revenues	\$ —	\$ —	\$ —	\$ —
Expenditures:				
Economic and physical development:				
Administrative	11,120	4,597	6,620	11,217
Future projects	<u>355,576</u>	<u>—</u>	<u>136,146</u>	<u>136,146</u>
Total expenditures	<u>366,696</u>	<u>4,597</u>	<u>142,766</u>	<u>147,363</u>
Revenues over expenditures	(366,696)	(4,597)	(142,766)	(147,363)
Other Financing Sources:				
Transfers in	<u>366,696</u>	<u>170,609</u>	<u>224,121</u>	<u>394,730</u>
Net change in fund balance	<u>\$ —</u>	<u>\$ 166,012</u>	<u>81,355</u>	<u>\$ 247,367</u>
Fund balance, beginning of year			<u>166,012</u>	
Fund balance, end of year			<u>\$ 247,367</u>	

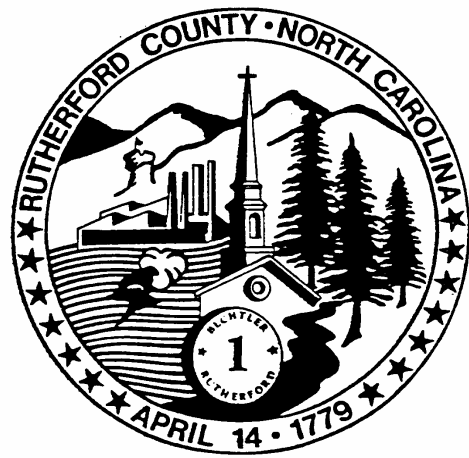
RUTHERFORD COUNTY, NORTH CAROLINA
CAPITAL PROJECTS FUND – COUNTY BUILDINGS
BALANCE SHEET
June 30, 2004
(With comparative totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 64,885	\$ 1,028,289
Cash and cash equivalents – restricted	579,365	679,335
Accounts receivable	<u>1,025</u>	<u>13,355</u>
 Total assets	 <u><u>\$ 645,275</u></u>	 <u><u>\$ 1,720,979</u></u>
 Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ –</u>	<u>\$ –</u>
 Fund Balances:		
Reserved by State Statute	1,025	13,355
Unreserved:		
Designated for future capital outlay	<u>644,250</u>	<u>1,707,624</u>
	<u>645,275</u>	<u>1,720,979</u>
 Total liabilities and fund balances	 <u><u>\$ 645,275</u></u>	 <u><u>\$ 1,720,979</u></u>

RUTHERFORD COUNTY, NORTH CAROLINA

CAPITAL PROJECTS FUND – COUNTY BUILDINGS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
 From inception and for the year ended June 30, 2004

	Actual			
	Project Authorization	Prior Years	Current Year	Total To Date
Revenues :				
Other taxes and licenses	\$ –	\$ 35,165	\$ –	\$ 35,165
Investment earnings	–	61,941	1,736	63,677
Sales tax refund on contracts	–	–	952	952
Total revenues	–	97,106	2,688	99,794
Expenditures:				
Capital Outlay:				
Courthouse renovations	1,828,692	1,735,527	87,287	1,822,814
Senior Center	771,675	771,675	–	771,675
Library/EMS	353,474	353,474	–	353,474
Hollis	37,000	37,000	–	37,000
Unidentified project	509,159	–	–	–
Tracker Industrial	3,050,000	2,042,884	991,105	3,033,989
Debt issuance costs	37,106	35,918	–	35,918
Total expenditures	6,587,106	4,976,478	1,078,392	6,054,870
Revenues under expenditures	(6,587,106)	(4,879,372)	(1,075,704)	(5,955,076)
Other Financing Sources:				
Installment purchase proceeds	4,737,106	4,737,106	–	4,737,106
Transfers in:				
General fund	1,850,000	1,850,000	–	1,850,000
Building capital reserve fund	–	13,245	–	13,245
Total other financing sources	6,587,106	6,600,351	–	6,600,351
Net change in fund balance	\$ –	\$ 1,720,979	(1,075,704)	\$ 645,275
Fund balance, beginning of year			1,720,979	
Fund balance, end of year			\$ 645,275	



RUTHERFORD COUNTY, NORTH CAROLINA

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2004
(With comparative totals for June 30, 2003)

	<u>Solid Waste Fund</u>	<u>Solid Waste Reserve Fund</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,775,941	\$ 128,841	\$ 1,904,782	\$ 1,482,383
Accounts receivable (net)	409,266	—	409,266	410,360
Due from other funds	—	125,000	125,000	125,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	2,185,207	253,841	2,439,048	2,017,743
	<hr/>	<hr/>	<hr/>	<hr/>
Fixed assets (net)	2,622,441	—	2,622,441	2,819,398
	<hr/>	<hr/>	<hr/>	<hr/>
Due from other funds	—	1,600,000	1,600,000	1,725,000
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 4,807,648	\$ 1,853,841	\$ 6,661,489	6,562,141
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities and Fund Equities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 230,952	\$ —	\$ 230,952	\$ 177,278
Current portion of long-term liabilities	100,000	67,000	167,000	95,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	330,952	67,000	397,952	272,278
	<hr/>	<hr/>	<hr/>	<hr/>
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	—	1,858,076	1,858,076	1,980,140
Long-term debt	793,944	—	793,944	893,986
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	793,944	1,858,076	2,652,020	2,874,126
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,124,896	1,925,076	3,049,972	3,146,404
	<hr/>	<hr/>	<hr/>	<hr/>
Fund equities:				
Net assets (deficit)	3,682,752	(71,235)	3,611,517	3,415,737
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 4,807,648	\$ 1,853,841	\$ 6,661,489	\$ 6,562,141
	<hr/>	<hr/>	<hr/>	<hr/>

RUTHERFORD COUNTY, NORTH CAROLINA

**ENTERPRISE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS (DEFICIT)**

For the year ended June 30, 2004
(With comparative totals for June 30, 2003)

	<u>Solid Waste Fund</u>	<u>Solid Waste Reserve Fund</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Operating Revenues:				
Charges for services	\$ 3,227,006	\$ —	\$ 3,227,006	\$ 3,152,322
Other operating revenues	213,493	—	213,493	178,239
Total operating revenues	<u>3,440,499</u>	<u>—</u>	<u>3,440,499</u>	<u>3,330,561</u>
Operating Expenses:				
Salaries	764,652	—	764,652	755,113
Employee benefits	207,331	—	207,331	192,062
Operating expenses	1,873,848	—	1,873,848	1,801,417
Landfill closure and postclosure care costs	—	(22,235)	(22,235)	8,836
Depreciation	267,593	—	267,593	291,854
Maintenance	93,992	—	93,992	77,136
Total operating expenses	<u>3,207,416</u>	<u>(22,235)</u>	<u>3,185,181</u>	<u>3,126,418</u>
Operating income	<u>233,083</u>	<u>22,235</u>	<u>255,318</u>	<u>204,143</u>
Nonoperating Revenues (Expenses):				
Interest income	35,788	—	35,788	8,344
Interest expense	(50,691)	—	(50,691)	(55,490)
Total nonoperating revenues (expenses)	<u>(14,903)</u>	<u>—</u>	<u>(14,903)</u>	<u>(47,146)</u>
Transfers:				
General Fund	(44,635)	—	(44,635)	(30,000)
Landfill postclosure expenditures	(32,829)	32,829	—	—
Total transfers	<u>(77,464)</u>	<u>32,829</u>	<u>(44,635)</u>	<u>(30,000)</u>
Increase in retained earnings	<u>140,716</u>	<u>55,064</u>	<u>195,780</u>	<u>126,997</u>
Net assets (deficit), beginning of year	<u>3,542,036</u>	<u>(126,299)</u>	<u>3,415,737</u>	<u>3,288,740</u>
Net assets (deficit), end of year	<u>\$ 3,682,752</u>	<u>\$ (71,235)</u>	<u>\$ 3,611,517</u>	<u>\$ 3,415,737</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SOLID WASTE FUND SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2004

(With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Operating Revenues:				
Charges for services	\$ 3,147,800	\$ 3,227,006	\$ 79,206	\$ 3,152,322
Other operating revenues	204,487	213,493	9,006	178,239
Total operating revenues	3,352,287	3,440,499	88,212	3,330,561
Nonoperating Revenues:				
Interest income	36,165	35,788	(377)	8,344
Total revenues	3,388,452	3,476,287	87,835	3,338,905
Expenditures:				
Salaries		764,652		755,113
Employee benefits		207,331		192,062
Operating expenses		1,873,848		1,801,417
Landfill closure		32,829		30,859
Interest and fees		50,691		55,490
Debt principal		95,042		90,242
Capital outlay and maintenance		167,094		560,508
Total expenditures	3,416,919	3,191,487	225,432	3,485,691
Revenues over (under) expenditures	(28,467)	284,800	313,267	(146,786)
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	(44,635)	(44,635)	—	(30,000)
Appropriated fund balance	73,102	—	(73,102)	—
Total other financing sources (uses)	(28,467)	(44,635)	(73,102)	(30,000)
Revenues and other sources over (under) expenditures and other uses	\$ —	240,165	\$ 240,165	(176,786)
Reconciling Items:				
Payment of debt principal		95,042		90,242
Capital outlay		73,102		483,372
Depreciation		(267,593)		(291,854)
Total reconciling items		(99,449)		281,760
Net income		\$ 140,716		\$ 104,974

RUTHERFORD COUNTY, NORTH CAROLINA

**SOLID WASTE RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)**

For the year ended June 30, 2004

(With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues	\$ —	\$ —	\$ —	\$ —
Expenditures	—	—	—	—
Revenues over expenditures	—	—	—	—
Other Financial Sources (Uses):	—	—	—	—
Loan to General Fund	—	—	—	(1,850,000)
	—	—	—	(1,850,000)
Excess of revenues and other (under) sources over expenditures	\$ —	\$ —	\$ —	\$ (1,850,000)

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

Excess of revenues and other sources over (under) expenditures	\$ —
Reconciling Items:	
Loan capitalized	—
Landfill closure and postclosure care cost accrual	22,235
Payment of landfill closure by Solid Waste Fund	<u>32,829</u>
Total reconciling items	<u>55,064</u>
Net income	\$ <u>55,064</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**ENTERPRISE FUNDS
COMBINING SCHEDULE OF CASH FLOWS
For the year ended June 30, 2004
(With comparative totals for June 30, 2003)**

	<u>Solid Waste Fund</u>	<u>Solid Waste Reserve Fund</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities:				
Cash received from operating revenues	\$ 3,441,587	\$ —	\$ 3,441,587	\$ 3,284,920
Cash paid to employees for services	(770,535)	—	(770,535)	(747,772)
Cash paid for goods and services	(2,115,608)	(32,829)	(2,148,437)	(2,159,743)
Net cash provided (used) by operating activities	<u>557,908</u>	<u>(32,829)</u>	<u>522,615</u>	<u>377,405</u>
Cash Flows from Noncapital Financing Activities:				
Transfers to other funds	(77,464)	32,829	(44,635)	(30,000)
Net cash used by noncapital financing activities	<u>(77,464)</u>	<u>32,829</u>	<u>(44,635)</u>	<u>(30,000)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(70,636)	—	(70,636)	(483,372)
Principal paid on debt	(95,042)	—	(95,042)	(90,242)
Interest paid on debt	(50,691)	—	(50,691)	(55,490)
Net cash used by capital and related financing activities	<u>(216,369)</u>	<u>—</u>	<u>(216,369)</u>	<u>(629,104)</u>
Cash Flows from Investing Activities:				
Interest income	35,788	—	35,788	8,344
Advances from (to) other funds	—	125,000	125,000	(1,850,000)
Net cash provided (used) by investing activities	<u>35,788</u>	<u>125,000</u>	<u>160,788</u>	<u>(1,841,656)</u>
Net increase (decrease) in cash and cash equivalents	297,399	125,000	422,399	(2,123,355)
Cash and cash equivalents at beginning of year	<u>1,478,542</u>	<u>3,841</u>	<u>1,482,383</u>	<u>3,605,738</u>
Cash and cash equivalents at end of year	\$ <u>1,775,941</u>	\$ <u>128,841</u>	\$ <u>1,904,782</u>	\$ <u>1,482,383</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 233,083	\$ 22,235	\$ 255,318	\$ 204,143
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	267,593	—	267,593	291,854
Landfill closure and postclosure care costs	—	(55,064)	(55,064)	(22,023)
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	1,094	—	1,094	(45,641)
Increase (decrease) in accounts payable and accrued liabilities	53,674	—	53,674	(50,928)
Total adjustments	<u>322,361</u>	<u>(55,064)</u>	<u>267,297</u>	<u>173,262</u>
Net cash provided (used) by operating activities	\$ <u>555,444</u>	\$ <u>(32,829)</u>	\$ <u>522,615</u>	\$ <u>377,405</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
For the year ended June 30, 2004**

Assets

Cash and cash equivalents	\$ 463,462
Accounts receivable	<u>1,567</u>
Total assets	<u>465,029</u>

Liabilities

Accounts payable	<u>148,121</u>
Total liabilities	<u>148,121</u>

Net Assets

Unrestricted	<u>316,908</u>
Total net assets	<u>\$ 316,908</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the year ended June 30, 2004**

Operating revenues:	
Employer contributions	<u>\$ 2,669,127</u>
Total operating revenues	<u>2,669,127</u>
Operating expenses	
Claims and administration	<u>2,352,219</u>
Total operating expenses	<u>2,352,219</u>
Change in net assets	<u>316,908</u>
Total net assets – beginning	<u>—</u>
Total net assets – ending	<u>\$ 316,908</u>

RUTHERFORD COUNTY, NORTH CAROLINA

**INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the year ended June 30, 2004**

Cash Flows from Operating Activities:

Receipts from employer contributions	\$ 2,667,559
Payments to insurer	<u>2,204,097</u>
Net cash provided by noncapital	<u>463,462</u>

Net increase in cash and cash equivalents 463,462

Cash and cash equivalents, July 1	<u>—</u>
Cash and cash equivalents, June 30	<u><u>\$ 463,462</u></u>

Reconciliation of operating income to net cash
provided (used) by operating activities:

Operating income	\$ 316,908
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) in accounts receivable	(1,567)
Increase (decrease) in accounts payable	148,121
Increase in due to other funds	<u>—</u>
Total adjustments	<u>146,554</u>

Net cash provided by operating activities \$ 463,462

RUTHERFORD COUNTY, NORTH CAROLINA

COMPONENT UNIT RUTHERFORD COUNTY TRANSIT ADMINISTRATION SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2004
(With comparative actual amounts for the year ended June 30, 2003)

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Charges for services	\$ 306,710	\$ 316,653	\$ 9,943	\$ 275,758
State transportation assistance grants	384,481	217,037	(167,444)	441,870
Total	691,191	533,690	(157,501)	717,628
Expenditures:				
Salaries		344,197		305,281
Employee benefits		82,332		72,024
Operating expenses		53,663		57,157
Capital outlay and maintenance		147,346		241,773
Total	686,191	627,538	58,653	676,235
Revenue over (under) expenditures	5,000	(93,848)	(98,848)	41,393
Other Financial Sources (Uses):				
Transfers:				
To primary government	(5,000)	(5,000)	—	(5,000)
Total	(5,000)	(5,000)	—	(5,000)
Excess of revenues over (under) expenditures and other uses	\$ —	\$ (98,848)	\$ (98,848)	\$ 36,393

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

Excess revenues and other sources over (under) expenditures and other uses	\$ (98,848)
Reconciling Items:	
Capital outlay - items capitalized	(101,383)
Depreciation	<u>109,407</u>
Total reconciling items	<u>8,024</u>
Net income (loss)	<u>\$ (106,872)</u>



RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS COMBINING BALANCE SHEET June 30, 2004 (With comparative totals for June 30, 2003)

	Agency				Totals	
	Social Service Fund	Agriculture Department Advisory Council Fund	Cities Tax Collection Fund	Detention Center Commissary Fund	2004	2003
Assets						
Cash and cash equivalents	\$ 97,604	\$ 13,947	\$ 70,172	\$ 19,535	\$ 201,258	\$ 242,404
	<u>\$ 97,604</u>	<u>\$ 13,947</u>	<u>\$ 70,172</u>	<u>\$ 19,535</u>	<u>\$ 201,258</u>	<u>\$ 242,404</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 97,604	\$ 13,947	\$ 70,172	\$ 19,535	\$ 201,258	\$ 242,404
Total liabilities	<u>97,604</u>	<u>13,947</u>	<u>70,172</u>	<u>19,535</u>	<u>201,258</u>	<u>242,404</u>
Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 97,604</u>	<u>\$ 13,947</u>	<u>\$ 70,172</u>	<u>\$ 19,535</u>	<u>\$ 201,258</u>	<u>\$ 242,404</u>

RUTHERFORD COUNTY, NORTH CAROLINA

AGENCY FUNDS - COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES For the year ended June 30, 2004

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
Social Services Fund				
Assets:				
Cash and cash equivalents	\$ 110,722	\$ 211,295	\$ 224,413	\$ 97,604
Liabilities:				
Accounts payable	\$ 110,722	\$ 211,295	\$ 224,413	\$ 97,604
Agricultural Department Advisory Council Fund				
Assets:				
Cash and cash equivalents	\$ 11,059	\$ 23,249	\$ 20,361	\$ 13,947
Liabilities:				
Accounts payable	\$ 11,059	\$ 23,249	\$ 20,361	\$ 13,947
Other Taxing Units				
Assets:				
Cash and cash equivalents	\$ 106,099	\$ 4,922,198	\$ 4,958,125	\$ 70,172
Liabilities:				
Accounts payable	\$ 106,099	\$ 4,922,198	\$ 4,958,125	\$ 70,172
Detention Center Commissary Fund				
Assets:				
Cash and cash equivalents	\$ 14,524	\$ 139,473	\$ 134,462	\$ 19,535
Liabilities:				
Accounts payable	\$ 14,524	\$ 139,473	\$ 134,462	\$ 19,535
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 242,404	\$ 5,296,215	\$ 5,337,361	\$ 201,258
Liabilities:				
Accounts payable	\$ 242,404	\$ 5,296,215	\$ 5,337,361	\$ 201,258

RUTHERFORD COUNTY, NORTH CAROLINA

STATEMENT OF POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS

June 30, 2004

Assets

Cash and cash equivalents	\$ 1,011,552
Accounts receivable	<u>—</u>
Total assets	<u>1,011,552</u>

Liabilities

Accounts payable	<u>2,415</u>
Total liabilities	<u>2,415</u>

Net Assets

Held in trust for pension benefits – health insurance	<u>\$ 1,009,137</u>
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RUTHERFORD COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS
For the year ended June 30, 2004

Additions

Contributions – Mental Health Authority	\$ 1,061,500
Interest earnings	<u>4,093</u>
Total additions	<u>1,065,593</u>

Deductions

Benefits	48,512
Administrative expenses	<u>7,944</u>
Total deductions	<u>56,456</u>

Changes in net assets	<u>1,009,137</u>
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Net assets, beginning –

Net assets, ending \$ 1,009,137

SUPPLEMENTAL FINANCIAL DATA

This section contains additional information on Taxes Receivable and Tax Levy.

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF GENERAL FUND AD VALOREM TAXES RECEIVABLE
June 30, 2004

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2003</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2004</u>
2003-2004	\$ —	\$ 24,220,298	\$ 23,112,804	\$ 1,107,494
2002-2003	1,068,064	—	652,276	415,788
2001-2002	347,098	—	150,815	196,283
2000-2001	190,543	—	54,718	135,825
1999-2000	115,974	—	27,691	88,283
1998-1999	90,962	—	16,550	74,412
1997-1998	75,585	—	10,697	64,888
1996-1997	60,578	—	8,553	52,025
1995-1996	47,753	—	5,421	42,332
1994-1995	39,189	—	3,844	35,345
1993-1994	35,277	—	35,277	—
	<u>\$ 2,071,023</u>	<u>\$ 24,220,298</u>	<u>\$ 24,078,646</u>	<u>2,212,675</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>556,000</u>
Ad valorem taxes receivable - net				<u>\$ 1,656,675</u>
Reconcilement with revenues: Ad valorem taxes - General fund				<u>\$ 23,724,077</u>
Reconciling items:				
Interest collected				(221,242)
Discounts/adjustments				540,534
Taxes written off				35,277
Total reconciling items				<u>354,569</u>
Total collections and credits				<u>\$ 24,078,646</u>

RUTHERFORD COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
GENERAL FUND
For the year ended June 30, 2004

				<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicle</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current years rate	\$3,749,375,323	\$.62	\$23,246,127	\$21,941,543	\$ 1,304,584
Motor vehicles taxed at prior years rate	160,503,387	.62	995,121	—	995,121
Penalties	<u>—</u>		<u>27,199</u>	<u>27,199</u>	<u>—</u>
Total	<u>3,909,878,710</u>		<u>24,268,447</u>	<u>21,968,742</u>	<u>2,299,705</u>
Discoveries:					
Current year taxes	11,433,065	.62	70,885	70,885	—
Penalties	<u>—</u>		<u>7,767</u>	<u>7,767</u>	<u>—</u>
Total	<u>11,433,065</u>		<u>78,652</u>	<u>78,652</u>	<u>—</u>
Advertising costs			9,250	9,250	—
Abatements	<u>(20,613,788)</u>		<u>(136,051)</u>	<u>(102,541)</u>	<u>(33,510)</u>
Total property valuation	<u>\$3,900,697,987</u>				
Net levy			24,220,298	21,954,103	2,266,195
Less: Uncollected taxes at June 30, 2004			<u>1,107,494</u>	<u>744,416</u>	<u>363,078</u>
Current year taxes collected			<u>\$23,112,804</u>	<u>\$21,209,687</u>	<u>\$ 1,903,117</u>
Percent current year collected			<u>95.43%</u>	<u>96.61%</u>	<u>83.98%</u>

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF SPECIAL DISTRICTS AD VALOREM TAXES RECEIVABLE
June 30, 2004

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2003</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2004</u>
2003-2004	\$ —	\$ 1,289,889	\$ 1,220,900	\$ 68,989
2002-2003	63,205	—	42,600	20,605
2001-2002	19,686	—	8,848	10,838
2000-2001	11,456	—	3,497	7,959
1999-2000	6,815	—	1,760	5,055
1998-1999	4,997	—	1,134	3,863
1997-1998	4,093	—	625	3,468
1996-1997	3,293	—	479	2,814
1995-1996	2,298	—	285	2,013
1994-1995	2,100	—	239	1,861
1993-1994	1,868	—	1,868	—
	<u>\$ 119,811</u>	<u>\$ 1,289,889</u>	<u>\$ 1,282,235</u>	
Ad valorem taxes receivable				<u>\$ 127,465</u>
Reconcilement with revenues:				
Ad valorem taxes - Special districts				<u>\$ 1,268,182</u>
Reconciling items:				
Interest collected				(13,901)
Discounts/adjustments				26,086
Taxes written off				<u>1,868</u>
Total reconciling items				<u>14,053</u>
Total collections and credits				<u>\$ 1,282,235</u>

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2004

				Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Chimney Rock Fire					
Property taxed at current years rate	\$ 36,016,667	\$ 0.06	\$ 21,610	\$ 21,155	\$ 455
Motor vehicles taxed at prior years rate	441,667	0.06	265	–	265
Sandy Mush Fire					
Property taxed at current years rate	209,365,000	0.04	83,746	76,708	7,038
Motor vehicles taxed at prior years rate	2,576,667	0.03	3,773	–	3,773
Cliffside Sanitary					
Property taxed at current years rate	7,626,250	0.08	6,101	5,940	161
Motor vehicles taxed at prior years rate	158,750	0.08	127	–	127
Bills Creek Fire					
Property taxed at current years rate	73,234,286	0.07	51,264	49,158	2,106
Motor vehicles taxed at prior years rate	2,518,571	0.07	1,763	–	1,763
Shingle Hollow Fire					
Property taxed at current years rate	57,949,000	0.10	57,949	53,585	4,364
Motor vehicles taxed at prior years rate	3,005,000	0.10	3,005	–	3,005
Shiloh, Danielstown, and Oakland Fire					
Property taxed at current years rate	257,368,000	0.05	128,684	118,419	10,265
Motor vehicles taxed at prior years rate	15,770,000	0.05	7,885	–	7,885
Cherry Mountain Fire					
Property taxed at current years rate	86,860,000	0.09	78,174	73,626	4,548
Motor vehicles taxed at prior years rate	4,214,444	0.09	3,793	–	3,793
Hudlow Fire					
Property taxed at current years rate	198,833,750	0.08	159,067	149,643	9,424
Motor vehicles taxed at prior years rate	8,375,000	0.08	6,700	–	6,700
Rutherfordton Fire					
Property taxed at current years rate	152,355,714	0.07	106,649	99,841	6,808
Motor vehicles taxed at prior years rate	6,872,857	0.07	4,811	–	4,811
Cliffside Fire					
Property taxed at current years rate	195,586,667	0.045	88,014	83,371	4,643
Motor vehicles taxed at prior years rate	7,910,000	0.04	3,164	–	3,164
Ellenboro Fire					
Property taxed at current years rate	212,180,000	0.06	127,308	116,301	11,007
Motor vehicles taxed at prior years rate	15,775,000	0.06	9,465	–	9,465

ANALYSIS OF CURRENT TAX LEVY
SPECIAL DISTRICTS LEVY
For the year ended June 30, 2004

				<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicle</u>	<u>Registered Motor Vehicles</u>
Bostic Fire					
Property taxed at current years rate	75,070,000	0.05	37,535	34,195	3,340
Motor vehicles taxed at prior years rate	5,320,000	0.05	2,660	–	2,660
Union Mills Fire					
Property taxed at current years rate	97,010,000	0.05	48,505	45,439	3,066
Motor vehicles taxed at prior years rate	4,924,000	0.05	2,462	–	2,462
Green Hill Fire					
Property taxed at current years rate	125,305,714	0.07	87,714	81,455	6,259
Motor vehicles taxed at prior years rate	6,568,571	0.07	4,598	–	4,598
Hollis Fire					
Property taxed at current years rate	20,793,333	0.03	6,238	5,853	385
Motor vehicles taxed at prior years rate	953,333	0.03	286	–	286
Contracted Fire					
Property taxed at current years rate	465,716,667	0.03	139,715	131,813	7,902
Motor vehicles taxed at prior years rate	27,570,000	0.03	8,271	–	8,271
Total			1,291,301	1,146,502	144,799
Penalties			1,051	1,051	–
Discoveries			5,698	5,698	–
Gross tax levy			1,298,050	1,153,251	144,799
Releases			(8,161)	(6,547)	(1,614)
Net levy			1,289,889	1,146,704	143,185
Less: uncollected taxes at June 30, 2004			68,989	46,792	22,197
Current year taxes collected			<u>\$ 1,220,900</u>	<u>\$ 1,099,912</u>	<u>\$ 120,988</u>
Percent current year collected			94.65%	95.92%	84.50%

Statistical Section

The Statistical Section includes data extracted from prior years' financial reports and various other sources. The data is rounded to significant digits to more clearly illustrate existing trends.

The information presented in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ⁽¹⁾
Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Environmental Protection</u>	<u>Economic & Physical Development</u>
2004	\$ 4,800,673	\$ 10,421,427	\$ 118,839	\$ 2,101,815
2003	4,560,320	9,852,175	100,813	1,055,040
2002	4,356,056	9,020,892	107,310	564,103
2001	4,244,612	9,089,757	110,388	2,849,302
2000	5,162,891	8,571,300	108,555	478,063
1999	4,171,871	8,101,733	107,880	245,560
1998	3,570,479	7,411,190	106,391	237,139
1997	3,670,570	8,045,351	102,144	630,525
1996	2,961,175	6,335,641	397,871	472,769
1995	3,267,311	6,369,292	464,512	267,541

⁽¹⁾ Includes General, Special Revenue, Debt Service and Capital Projects Funds.

⁽²⁾ Includes construction costs of the School Construction Capital Project Fund.

<u>Human Services</u>	<u>Cultural and Recreational</u>	<u>Education</u>	<u>Capital Outlay⁽²⁾</u>	<u>Debt Service</u>	<u>Total</u>
\$ 13,754,017	\$ 398,368	\$ 11,311,729	\$ 18,381,582	\$ 6,714,299	\$ 68,002,749
13,119,093	361,562	10,830,042	10,503,729	6,363,542	56,746,316
12,220,518	343,050	11,009,323	3,562,597	4,978,153	46,162,002
11,828,810	377,697	10,210,333	7,325,546	4,944,697	50,981,142
11,068,478	415,102	9,741,755	8,957,508	4,968,895	49,472,547
9,618,938	369,971	9,134,974	10,541,447	5,009,027	47,301,401
8,262,779	323,519	9,563,790	7,875,252	5,271,074	42,621,613
8,445,156	306,324	9,076,737	2,886,671	5,441,208	38,604,686
7,892,106	293,533	9,092,355	3,092,085	5,521,092	36,058,627
7,787,742	501,581	8,543,894	11,428,169	5,434,141	44,064,183

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾
Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Ad Valorem Taxes</u>	<u>Other Taxes</u>	<u>Unrestricted Inter governmental Revenues</u>	<u>Licenses and Permits</u>	<u>Restricted Inter governmental Revenues</u>	<u>Other</u>	<u>Total</u>
2004	\$ 24,992,262	\$11,278,753	\$ –	\$ 1,012,848	\$ 9,109,617	\$ 4,456,236	\$ 50,849,716
2003	25,272,124	9,532,653	–	1,092,816	9,031,207	3,730,260	48,659,060
2002	21,839,759	9,070,528	1,221,268	852,716	6,729,260	2,912,904	42,626,435
2001	20,370,817	9,061,456	1,820,061	734,623	12,469,970	3,108,575	47,565,502
2000	18,373,139	8,692,554	1,818,825	680,697	13,678,284	3,889,595	47,133,094
1999	17,122,048	8,208,584	1,847,778	675,287	13,996,673	3,015,380	44,865,750
1998	17,190,195	7,854,761	1,865,344	625,419	12,741,869	3,105,375	43,382,963
1997	16,104,879	7,575,693	1,873,171	543,978	5,793,491	2,594,769	34,485,981
1996	15,905,613	7,435,201	1,844,123	514,418	5,024,159	2,684,855	33,408,369
1995	16,589,516	7,003,141	1,861,195	469,984	4,648,178	2,692,396	33,264,410

⁽¹⁾ Includes General, Special Revenue, Debt Service and Capital Project Funds.

RUTHERFORD COUNTY, NORTH CAROLINA**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**

Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Ad Valorem Taxes</u>	<u>Local Option Sales Tax</u>	<u>Intangibles Tax Reim- bursements</u>	<u>Homestead Exemption</u>	<u>Inventory Tax Reim- bursements</u>	<u>Total</u>
2004	\$ 24,992,262	\$ 11,278,753	\$ —	\$ —	\$ —	\$ 36,271,015
2003	25,272,124	9,532,653	—	—	—	34,804,777
2002	21,839,759	8,763,472	502,616	—	637,472	31,743,319
2001	20,370,817	8,778,747	491,747	64,499	1,268,312	30,974,122
2000	18,373,139	8,422,527	490,207	64,499	1,268,217	28,618,589
1999	17,122,048	7,961,772	490,138	92,356	1,269,083	26,935,397
1998	17,190,195	7,646,500	492,532	99,696	1,272,010	26,700,933
1997	16,104,879	7,381,858	499,681	64,499	1,276,631	25,327,548
1996	15,905,613	7,198,775	502,446	64,499	1,280,495	24,951,828
1995	16,589,516	6,792,216	499,318	64,499	1,282,385	25,227,934

RUTHERFORD COUNTY, NORTH CAROLINA

PROPERTY TAXES LEVIED AND COLLECTED⁽¹⁾
Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Year Collections</u>	<u>Prior Tax Years Collections</u>	<u>% of Current Tax Year Collections</u>	<u>Total Tax Collections</u>
2004	2003	\$ 25,510,187	\$ 24,333,704	\$ 937,075	95.4%	\$ 25,270,779
2003	2002	25,696,721	24,565,452	929,340	95.6	25,494,792
2002	2001	22,245,921	21,218,393	730,744	95.4	21,949,137
2001	2000	20,680,487	19,787,900	690,513	95.7	20,478,413
2000	1999	18,567,515	17,774,198	598,941	95.7	18,373,139
1999	1998	17,361,813	16,550,333	571,748	95.3	17,122,081
1998	1997	17,300,180	16,581,793	608,402	95.8	17,190,195
1997	1996	16,234,947	15,526,236	578,643	95.6	16,104,879
1996	1995	15,814,786	15,124,675	860,481	95.6	15,985,156
1995	1994	16,283,303	15,536,496	1,084,887	95.4	16,621,383

⁽¹⁾ Includes general fund and special districts.

RUTHERFORD COUNTY, NORTH CAROLINA

PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS (Per \$100 of assessed valuation) For the last ten fiscal years

Fiscal Year Ending June 30	Name of Government									
	<u>Rutherford County</u>	<u>Forest City</u>	<u>Spindale</u>	<u>Rutherfordton</u>	<u>Ellenboro</u>	<u>Lake Lure</u>	<u>Bostic</u>	<u>Alexander Mills⁽¹⁾</u>	<u>Ruth</u>	<u>Chimney Rock Village</u>
2004	\$.62	\$.26	\$.45	\$.49	\$.25	\$.28	\$.25	\$ —	\$.26	\$.115
2003	.62	.24	.45	.49	.25	.27	.25	—	.26	.125
2002	.66	.24	.45	.49	.28	.32	.25	—	.26	.14
2001	.63	.24	.42	.49	.28	.32	.25	—	.26	.14
2000	.57	.24	.42	.49	.28	.32	.25	—	.26	.14
1999	.545	.24	.42	.49	.28	.31	.25	.30	.26	.14
1998	.55	.24	.42	.49	.28	.30	.25	.38	.26	.14
1997	.55	.24	.42	.45	.28	.30	.25	.32	.26	.14
1996	.56	.24	.40	.41	.28	.26	.25	.30	.26	.14
1995	.59	.24	.40	.41	.28	.26	.25	.30	.26	.14

Note: Property was revalued in 2003.

⁽¹⁾ Alexander Mills merged with Forest City in 2000.

RUTHERFORD COUNTY, NORTH CAROLINA**ASSESSED VALUE OF TAXABLE PROPERTY**

For the last ten fiscal years

(In thousands)

<u>Fiscal Year Ended June 30</u>	<u>Assessed Values</u>			
	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies</u>	<u>Total</u>
2004	\$ 2,879,335	\$ 768,594	\$ 252,769	\$ 3,900,698
2003	2,824,379	862,859	242,451	3,929,689
2002	2,181,264	844,710	185,699	3,211,673
2001	2,099,696	828,745	205,748	3,134,189
2000	2,048,387	831,010	207,819	3,087,216
1999	1,998,511	810,043	208,010	3,016,564
1998	1,956,870	793,195	235,042	2,985,107
1997	1,907,728	661,122	230,769	2,799,619
1996	1,864,813	606,843	220,246	2,691,902
1995	1,835,283	571,297	204,952	2,611,532

RUTHERFORD COUNTY, NORTH CAROLINA

TEN LARGEST TAXPAYERS (Ad valorem property tax assessments) June 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Values Thousands</u>	<u>Percentage of Value to Total</u>	<u>Tax Levy</u>
Duke Energy Company	Public Utility	\$ 175,018	4.49%	\$ 1,085,111
Cone Mills Corporation	Textiles	36,963	.95	229,170
Bell South	Public Utility	33,494	.86	207,663
Fairfield Communities	Resort Properties	32,891	.85	204,482
Watts Regulator	Manufacturing	28,043	.72	173,867
Broyhill Furniture	Furniture Manufacturing	27,522	.71	170,636
Rutherford Electric Membership Corp.	Public Utility	19,084	.49	118,321
National Textiles, Inc.	Textiles	18,476	.48	114,551
RCM Management Services LLP	Airplane	17,000	.44	105,400
CSX Transportation	Railroad	14,998	.39	92,988
Other		<u>3,497,209</u>	<u>89.62</u>	<u>21,718,109</u>
	Totals	<u>\$ 3,900,698</u>	<u>100.00%</u>	<u>\$ 24,220,298</u>

RUTHERFORD COUNTY, NORTH CAROLINA

GENERAL BONDED DEBT - PER CAPITA AND AS A
PERCENTAGE OF ASSESSED VALUE OF TAXABLE PROPERTY
For the last ten fiscal years
(In thousands)

<u>Fiscal Year Ended June 30</u>	<u>Population (Estimated)</u>	<u>Assessed Value of Taxable Property</u>	<u>Net General Bonded Debt Total</u>	<u>Bonded Debt - Per Capital (Dollars)</u>	<u>Net Bonded Debt % of Valuation</u>
2004	64	\$ 3,900,698	\$ 16,050	\$ 250.78	.42%
2003	63	3,929,689	18,420	292.38	.46
2002	63	3,211,673	19,145	303.89	.60
2001	63	3,134,189	21,365	339.13	.68
2000	60	3,087,216	23,590	393.17	.76
1999	60	3,016,564	25,820	430.33	.86
1998	60	2,985,107	28,055	467.58	.94
1997	60	2,799,619	30,290	504.83	1.08
1996	59	2,691,902	32,530	551.36	1.21
1995	59	2,611,532	34,775	589.41	1.33

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF LEGAL DEBT MARGIN June 30, 2004

Legal debt margin:

Assessed value - January 1, 2003		<u>\$ 3,900,697,986</u>
Debt limit - 8% of assessed value		\$ 312,055,838
Debt applicable to debt limit:		
General Obligation Bonds	\$ 16,050,000	
Other outstanding debt	<u>41,090,177</u>	
Net debt applicable to debt limit		<u>57,140,177</u>
Legal debt margin - June 30, 2004		<u>\$ 254,915,661</u>

COMPUTATION OF DIRECT AND UNDERLYING DEBT GENERAL OBLIGATION BONDS

	<u>Net General Obligation Bonded Debt</u>	<u>Percent Applicable To County</u>	<u>Amount Applicable To County</u>
Direct:			
Rutherford County	<u>\$ 16,050,000</u>	100%	<u>\$ 16,050,000</u>
Underlying:			
Ellenboro	237,000	100%	237,000
Spindale	<u>615,000</u>	100%	<u>615,000</u>
Totals	<u>\$ 16,902,000</u>		<u>\$ 16,902,000</u>

Source: Local finance offices as reported to North Carolina Local Government Commission.

RUTHERFORD COUNTY, NORTH CAROLINA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**
For the last ten fiscal years
(In thousands)

<u>Fiscal Year Ended June 30</u>	<u>General Bonded Debt</u>			<u>Total General Expenditures⁽¹⁾</u>	<u>% of Bonded Debt Service To Total General Expenditures</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Expenditures</u>		
2004	\$ 2,370	\$ 726	\$ 3,096	\$ 67,924	4.55%
2003	2,200	966	3,166	56,249	5.62
2002	2,220	1,079	3,299	46,162	7.15
2001	2,225	1,204	3,429	50,981	6.72
2000	2,230	1,329	3,559	49,473	7.19
1999	2,235	1,454	3,689	47,301	7.80
1998	2,235	1,579	3,814	42,621	8.95
1997	2,240	1,704	3,944	38,605	10.22
1996	2,245	1,829	4,074	36,059	11.30
1995	2,250	1,953	4,203	44,064	9.54

⁽¹⁾Includes General, Special Revenue, Debt Service and Capital Projects Funds.

RUTHERFORD COUNTY, NORTH CAROLINA

DEMOGRAPHIC STATISTICS

Last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Population Estimate⁽¹⁾</u>	<u>Estimated Median Age</u>	<u>Public School Enrollment⁽²⁾</u>
2004	63,861	39.49	9,967
2003	63,432	39.15	10,038
2002	63,397	38.87	10,079
2001	62,899	38.5	10,069
2000	60,140	38.1	10,088
1999	60,100	37.7	10,135
1998	59,396	37.3	10,148
1997	59,868	37.0	10,089
1996	59,082	37.0	9,953
1995	58,794	36.6	9,743

⁽¹⁾ 2001 population is from U.S. Census. 1995-2000 and 2002- 2004, population projected by the Office of State Planning.

⁽²⁾ Public school enrollment from the North Carolina Department of Public Instruction.

RUTHERFORD COUNTY, NORTH CAROLINA

CIVILIAN LABOR FORCE ESTIMATES⁽¹⁾

For the last ten fiscal years

<u>Fiscal Year Ended June 30</u>	<u>Civilian Labor Force</u>	<u>Labor Employment</u>	<u>Labor Unemployment</u>	<u>Unemployment Rate</u>
2004	29,961	26,708	3,253	10.9%
2003	28,672	25,807	2,865	10.0
2002	28,660	25,410	3,250	11.3
2001	28,140	26,110	2,030	7.2
2000	29,830	27,850	2,250	7.5
1999	29,930	28,070	1,860	6.2
1998	29,710	28,350	1,360	4.6
1997	30,810	29,210	1,600	5.2
1996	31,620	29,250	2,370	7.5
1995	30,280	28,660	1,620	5.4
1994	29,740	28,470	1,270	4.3

⁽¹⁾Labor force estimates from the Employment Security Commission Labor Market Information Division.

RUTHERFORD COUNTY, NORTH CAROLINA

PUBLIC EDUCATION INFORMATION⁽¹⁾ For the last ten fiscal years

Fiscal Year <u>Ended June 30</u>	Average <u>Membership</u>	Total Pupil Expenditures <u>(Thousands)</u>	Per Pupil <u>Expenditures</u>	County Appropriation <u>Included in Total Expenditures</u>	
				<u>Current Expense (Thousands)</u>	<u>Capital Outlay (Thousands)</u>
2004	9,967	\$68,961,501	\$ 6,919	\$ 9,504	\$ 350
2003	10,038	67,290	6,703	9,183	220
2002	10,079	69,669	6,912	9,289	1,452
2001	10,069	73,405	7,290	8,833	1,000
2000	10,088	72,819	7,218	8,216	5,928
1999	10,135	72,713	7,174	7,662	3,799
1998	10,148	66,208	6,524	7,355	1,188
1997	10,089	53,259	5,278	7,185	939
1996	9,953	48,483	4,871	7,080	1,508
1995	9,743	47,644	4,890	6,873	6,011

⁽¹⁾Public education information from the North Carolina Department of Public Instruction Information Center.

RUTHERFORD COUNTY, NORTH CAROLINA

NEW CONSTRUCTION COST⁽¹⁾

For the last ten fiscal years
(In thousands)

<u>Fiscal Year Ended June 30</u>	<u>New Homes</u>	<u>Multiple Units</u>	<u>Commercial</u>	<u>Other</u>	<u>Total</u>
2004	\$ 43,668	\$ 904	\$ 11,152	\$ 13,137	\$ 68,861
2003	33,167	3,715	33,342	15,557	85,780
2002	39,268	130	7,284	28,204	74,886
2001	30,935	582	11,059	17,447	60,023
2000	30,472	859	30,760	13,723	75,814
1999	30,564	2,884	20,890	11,555	65,893
1998	24,767	1,480	23,204	12,635	62,086
1997	23,857	776	18,376	8,186	51,195
1996	21,445	1,021	21,157	13,074	56,697
1995	18,366	794	20,742	14,801	54,703

⁽¹⁾ New construction information from Rutherford County and Town of Forest City Building Inspector Departments.

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF SURETY BONDS IN FORCE
June 30, 2004

<u>Surety Bonds</u>		<u>Policy Maturity</u>	<u>Amount</u>
Finance Officer	Robert Bole	11-01-04	\$ 100,000
County Manager	John Condrey	10-03-04	100,000
Coroner	Shane Earley	12-03-04	2,000
Tax Supervisor	Rick Johnson	01-09-05	100,000
Sheriff	Dan Good	12-03-04	10,000
Register of Deeds	Faye Huskey	12-05-04	10,000
Department of Social Services Director	John Carroll	11-11-04	100,000
Public Employees Faithful Performance		06-30-04	250,000

RUTHERFORD COUNTY, NORTH CAROLINA

SALARIES OF PRINCIPAL OFFICIALS
June 30, 2004

<u>Position</u>	<u>Employee</u>	<u>Salary</u>
Chairman of Board	Charles Hill	\$ 8,864
County Manager	John Condrey	73,495
Finance Director	Robert Bole	65,816
Tax Administrator	Rick Johnson	52,465
Social Services Director	John Carroll	61,469
Register of Deeds	Faye H. Huskey	51,948
Sheriff	Dan Good	65,057

RUTHERFORD COUNTY, NORTH CAROLINA

MISCELLANEOUS STATISTICAL INFORMATION

June 30, 2004

Date of Incorporation	1779
Form of Government	Commissioner - Manager
Number of Employees (Full Time)	351
Area in Square Miles	566
Major Employment	Manufacturing - Textiles
Impact of tourism expenditures	\$99 Million (2004)
Tourist Lodging Capacity	1,160 rooms

Rutherford County Facilities and Services:

Highways:	
Miles of Secondary Roads	928
Number of U.S. Highways	4
Number of NC Highways	3
Fire Protection:	
Number of Fire Districts	14
Culture and Recreation:	
Park Acreage	23
Public Libraries	3
Education:	
Approved Bond Referendum	\$40 Million

Facilities and Services Not Included in the Reporting Entity:

Education:	
Number of Elementary Schools	12
Number of Middle Schools	3
Number of Secondary Schools	3
Number of Employees	1,408
Number of Community Colleges	1
Number of Employees	181
Hospitals:	
Number of Hospitals	1
Number of Patient Beds	143
Number of employees	800



Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Board of County Commissioners
Rutherford County, North Carolina

We have audited the basic financial statements of Rutherford County, North Carolina as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rutherford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Gould Killian CPA Group, P.A.

Asheville, North Carolina
October 15, 2004

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Commissioners
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2004. Rutherford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rutherford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County's compliance with those requirements.

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
October 15, 2004

Gould Killian CPA Group, P.A.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

To the Board of Commissioners
Rutherford County, North Carolina

Compliance

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2004. Rutherford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Rutherford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County's compliance with those requirements.

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
October 15, 2004

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Federal Awards				
<u>U.S. Department of Agriculture</u>				
Passed-through N.C. Department of Health and Human Services: Division of Social Services:				
<u>Food Stamp Cluster:</u>				
Food Stamp Administration	10.561		\$ 255,723	—
Food Stamp Benefit Direct Payments	10.551		<u>7,081,444</u>	—
			<u>7,337,167</u>	—
Passed-through Isothermal Planning and Development Commission:				
USDA Supplement-Noncash	10.570		<u>52,409</u>	—
Total U.S. Department of Agriculture			<u>7,389,576</u>	—
<u>U.S. Department of Commerce</u>				
Passed-through N.C. Rural Center: Technology Opportunities Program	11.552		<u>19,500</u>	—
Total U.S. Department of Commerce			<u>19,500</u>	—
<u>U.S. Department of Housing & Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant	14.228	01-C-0876	14,535	—
Community Development Block Grant	14.228	02-C-1036	36,947	—
Community Development Block Grant	14.228	03-C-1098	<u>130,774</u>	—
Total U.S. Department of Housing & Urban Development			<u>182,256</u>	—
<u>U.S. Department of Justice</u>				
Bureau of Justice Assistance:				
Local Law Enforcement Block Grant	16.592		<u>15,951</u>	—
Total U.S. Department of Justice			<u>15,951</u>	—

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2004

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed-through N.C. Department of Transportation:				
Community Transportation Program	20.509	04-CT-068	123,008	7,527
State Block Grant Program-Airport	20.106		<u>131,570</u>	<u>6,806</u>
Total U.S. Department of Transportation			<u>254,578</u>	<u>14,333</u>
<u>National Foundation on the Arts and the Humanities</u>				
Passed-through N.C. Department of Cultural Resources:				
LSTA - Basic Equipment Grant	45.310		<u>6,740</u>	<u>—</u>
Total National Foundation on the Arts and Humanities			<u>6,740</u>	<u>—</u>
<u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Department of Crime:				
Control and Public Safety:				
Homeland Security - Phase I	16.607		12,960	—
Emergency Management Performance	97.042		26,404	—
Emergency Management Supplement	97.051		3,931	—
N.C. Mitigation	97.047		<u>13,693</u>	<u>—</u>
Total U.S. Department of Homeland Security			<u>56,988</u>	<u>—</u>
<u>U.S. Department of Health and Human Services</u>				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
TANF-Direct Benefit Payments	93.558		1,142,790	(57)
AFDC Direct Benefit Payments	93.558		(3,909)	(1,072)
Work First/Temporary Assistance for Needy Families (TANF)	93.558		510,936	3,811
Title IV-D Child Support Enforcement Admin	93.563		303,236	—
Energy Assistance-Direct Benefit Payments	93.568		181,460	—
Low Income Energy Assistance Program:				
Administration	93.568		29,715	—
Crisis Intervention Payments	93.568		114,694	—
Child Care Development Fund Administration	93.596		83,193	—

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Division of Child Development:				
<u>Subsidized Child Care Cluster:</u>				
Child Care Development Block Fund - TANF	93.558		158,438	—
Child Care Development Fund- Discretionary	93.575		799,310	—
Child Care Development Fund- Mandatory (CCDF)	93.596		324,850	—
Child Care Development Fund- Match (CCDF)	93.596	18111810VE	323,467	191,972
Social Service Block Grant	93.667		16,832	
Smart Start		1711174040	—	23,787
State Appropriations – TANF		1811181200	—	67,062
TANF-Maintenance of Effort		18111810T6	—	581,354
Smart Start		—	—	39,848
Total Subsidized Child Care Cluster			1,622,897	904,023
Division of Social Services:				
<u>Foster Care and Adoption Cluster:</u>				
Title IV-E Foster Care Administration	93.658		306,888	75,689
Title IV-E Foster Care-Direct Benefit Payments	93.658		221,891	37,295
Foster Care-Benefits Program			9,300	66,510
Title IV-E Adoption Assistance				
-Direct Benefit Payments	93.659		211,943	62,826
Adopt Subsidy-Direct Benefit Payments				33,989
Adoption/Foster care	93.658		508,910	60,700
Total Foster Care and Adoption Cluster			1,258,932	337,009
Title IV-B Adoption Assistance Program:				
Permanency Planning-Grant.	93.645		18,474	4,996
Independent Living Initiative-Links	93.674		36,977	9,244
Social Services Block Grant:				
Family Planning Administration	93.667		4,492	—
Other Services & Training	93.667		236,130	23,843
In-Home Services	93.667		51,871	—
Adult Day Care	93.667		9,639	3,806
Division of Medical Assistance:				
Title XIX Medical Assistance Program				
-Direct Benefit Payments	93.778		42,748,053	18,683,432
Adult Care Home Case Management	93.778		120,906	72,792
Medicaid Eligible & De-link	93.778		37,764	14,276
Medical Assistance Administration	93.778		453,962	—
Medical Transportation	93.778		33,482	1,600
NC Health Choice	93.767		9,106	2,833
Board of elections:				
HAVA Administration	93.617		10,925	—

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2004

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Division of Aging:				
Passed-through Isothermal Planning & Development Commission:				
<u>Aging Cluster:</u>				
Title III-F 90% F/S Preventive Health Screening	93.043		10,396	611
Title III-B In-Home Services	93.044		122,565	7,210
Title III-C1 Congregate Nutrition	93.045		97,278	5,722
Title III-C2 Home Delivered Meals	93.045		55,209	3,248
Senior Center Outreach			—	1,165
Senior Center General Fund			—	5,806
Title III-Chore	93.044		68,291	4,017
Total Aging Cluster			353,739	27,779
Health Resources and Services Administration Passed-through N.C. Office of Emergency Medical Services:				
Bioterrorism Training and Curriculum	93.003		17,419	—
Total Department of Health & Human Services			49,386,883	20,088,315
Total Federal Awards			57,312,472	20,102,648
State Awards				
<u>N.C. Department of Commerce:</u>				
Governor's fund for Economic Development			—	150,000
Total N.C. Department of Commerce			—	150,000
<u>N.C. Department of Health and Human Services:</u>				
Division of Social Services:				
State Foster Home			—	77,099
SC/SA Domiciliary Care-Direct Payments			—	1,132,255
State Adult Protective Services			—	37,625
State Aid to Counties			—	38,482
Total Division of Social Services			—	1,285,461
Division of Veteran Affairs:				
County Veterans Service Program			—	2,000
Senate Bill:				
Spay/Neuter			—	13,655
Total N.C. Department of Health and Human Services			—	1,301,116

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2004

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>N.C. Department of Environmental and Natural Resources:</u>				
Soil Conservation Service:				
Technical Assistance			—	23,068
Scrap Tire Grant			—	37,155
White Goods			—	16,822
Clean Water Management Trust		2001A-409	—	118,511
				<hr/>
Total N.C. Department of Environmental and Natural Resources			—	195,556
<u>N.C. Department of Transportation:</u>				
Public Transportation Division:				
Elderly and Handicapped Tap-Medicaid		ROAP	—	55,643
Work First Transportation				
— ROAP 11,402				
Transit Administration Grants		CT-068	—	1,428
Vehicle Purchase		CT-068	—	140,891
Rural General Public Transportation		ROAP	—	39,845
Capital Improvement		SF-005	—	13,752
Technology —		AT-039	—	1,052
Equipment —		CT-068	—	7,760
				<hr/>
Total N.C. Department of Transportation			—	271,773
<u>The Rural Center:</u>				
Source Water		02-63-71	—	8,000
E Communities RIAA		13-16-09	—	2,500
				<hr/>
Total The Rural Center			—	10,500
<u>N.C. Department of Cultural Resources:</u>				
State Aid to Public Libraries		536960	—	131,770
225 Year Anniversary			—	5,000
				<hr/>
Total N.C. Department of Cultural Resources			—	136,770

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2004

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Office of the Governor:				
<u>Department of Juvenile Justice & Delinquency Prevention</u>				
Psychological Services to the Juvenile Court		181024	—	6,054
Temporary Shelter Care		181041	—	8,500
Youth Counseling		181009	—	88,104
Court Ordered Parenting		181002	—	2,000
Juvenile Crime Committee		181000	—	6,781
Restitution Services		181043	—	49,171
Guided Growth		181030	—	17,000
Restitution Services		181017	—	13,308
Total Division of Juvenile Justice			—	190,918
<u>N.C. Arts Council</u>				
Grassroots Arts Program			—	1,899
Total Office of the Governor			—	192,817
Total State Awards			—	2,258,532
Total Federal and State Awards			<u>\$57,312,472</u>	<u>\$ 22,361,180</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Rutherford County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

RUTHERFORD COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2004

I. Summary of Auditor's Results

- A. An unqualified opinion was issued on the financial statements of Rutherford County.
- B. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- C. There were no single audit compliance findings required to be reported.
- D. An unqualified opinion was issued on Rutherford County's compliance with the types of compliance requirements applicable to its major federal and state programs.
- E. Major federal programs for Rutherford County for the fiscal year ended June 30, 2004 are:

<u>Program Name</u>	<u>CFDA #</u>
Subsidized Child Care Cluster	93.575, 93.596, 93.667, 93.558
Temporary Assistance for Needy Families	93.558
Title XIX Medicaid	93.778
Food Stamp Cluster	10.561, 10.551
Foster Care/Adoption Cluster	93.658, 93.659
Child's Health Insurance Program	93.767
Low Income Home Energy Assistance Program	93.568

- F. Major State programs for Rutherford County for the fiscal year ended June 30, 2004 are:

Child's Health Insurance Program
Foster Care/Adoption Cluster
Subsidized Child Care Cluster
SC/SA Domiciliary Care
Title XIX Medicaid
Temporary Assistance for Needy Families

- G. The threshold for determining Federal Type A programs for Rutherford County is \$1,719,374 (3%).
- H. The threshold for determining State Type A programs is \$300,000.
- I. Rutherford County qualifies as a low risk auditee under Section .530 of Circular No. A-133.

II. Audit Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements for the year ended June 30, 2004.

III. Audit Findings Required to be Reported in Accordance with OMB Circular A-133

There were no findings or questioned costs related to federal and state awards for the year ended June 30, 2004.

RUTHERFORD COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the year ended June 30, 2004

There were no findings or questioned costs for the year ended June 30, 2003.

